

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

Annual Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

For the Fiscal Year Ended  
November 30, 2004

Commission File Number  
2-85538-B

**CCA INDUSTRIES, INC.**

(Exact Name of Registrant as specified in Charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

04-2795439  
(I.R.S. Employer  
Identification No.)

200 Murray Hill Parkway, East Rutherford, New Jersey 07073  
(Address of principal executive offices, including zip code)

(201) 330-1400  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, par value \$.01 per share  
(Title of Class)

Class A Common Stock, par value \$.01 per share  
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes X. No \_\_\_.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ X].

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes \_\_\_ No [X].

The aggregate market value of the voting stock held by non-affiliates of the Registrant (i.e., by persons other than officers and directors of the Registrant), at the closing sales price \$7.75 on May 31, 2004, was as follows:

Class of Voting Stock	Market Value
5,366,338 shares; Common Stock, \$.01 par value	\$ 41,589,120

On November 30, 2004 there was an aggregate of 7,044,194 shares of Common Stock and Class A Common Stock of the Registrant outstanding.

## CROSS REFERENCE SHEET

<u>Form 10-K Item No.</u>	<u>Headings in this Form 10-K for Year Ended November 30, 2004</u>
1. Business	Business
2. Properties	Property
3. Legal Proceedings	Legal Proceedings
4. Submission of Matters to a Vote of Security Holders	Submission of Matters to a Vote of Security Holders
5. Market for Registrant's Common Equity and Related Stockholder Matters	Market for the Company's Common Stock and Related Shareholder Matters
6. Selected Financial Data	Selected Financial Data
7. Management's Discussion and Analysis of Financial Condition and Results of Operations	Management's Discussion and Analysis of Financial Condition and Results of Operations
7A. Quantitative and Qualitative Disclosures about Market Risk	Quantitative and Qualitative Disclosures about Market Risk
8. Financial Statements and Supplementary Data	Financial Statements and Supplementary Data
9. Changes In and Dis- agreements With Accountants On Accounting and Financial Disclosure	Changes In and Dis- agreements With Accountants On Accounting and Financial Disclosure
9A. Control and Procedures	Control and Procedures
10. Directors and Executive Officers of the Registrant	Directors and Executive Officers

Form 10-K  
Item No.

Headings in this Form  
10-K for Year Ended  
November 30, 2004

11. Executive Compensation

Executive Compensation

12. Security Ownership  
of Certain Beneficial  
Owners and Management

Security Ownership  
of Certain Beneficial  
Owners and Management

13. Certain Relationships  
and Related Transactions

Certain Relationships  
and Related Transactions

14. Principal Accountant Fees  
and Services

Principal Accountant Fees  
and Services

15. Exhibits, Financial  
Statement Schedules,  
and Reports on Form  
8-K

Exhibits, Financial  
Statement Schedules,  
and Reports on Form  
8-K

## TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
PART I	
1. Business.....	1
2. Property.....	6
3. Legal Proceedings.....	6
4. Submission of Matters to a Vote of Security Holders.....	7
PART II	
5. Market for the Company's Common Stock and Related Shareholder Matters.....	8
6. Selected Financial Data.....	10
7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	11
7A. Quantitative And Qualitative Disclosure About Market Risk.....	16
8. Financial Statements and Supplementary Data.....	16
9. Changes In and Disagreements with Accountants On Accounting and Financial Disclosure.....	17
9A. Controls and Procedures.....	17
PART III	
10. Directors and Executive Officers.....	18
11. Executive Compensation.....	20
12. Security Ownership of Certain Beneficial Owners and Management.....	26
13. Certain Relationships and Related Transactions.....	27
14. Principal Accountant Fees and Services.....	27
PART IV	
15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K...	29

## PART I

### **Item 1. BUSINESS**

#### (a) General

CCA INDUSTRIES, INC. (hereinafter, "CCA" or the "Company") was incorporated in Delaware in 1983.

The Company operates in one industry segment, in what may be generally described as the health-and-beauty aids business, selling numerous products in several health-and-beauty aids and cosmeceutical categories. All of the Company's products are manufactured by contract manufacturers, pursuant to the Company's specifications and formulations.

The Company owns registered trademarks, or exclusive licenses to use registered trademarks, that identify its products by brand-name. Under most of the brand names, the Company markets several different but categorically-related products. The principal brand and trademark names include "Plus+ White" (oral health-care products) which includes, "Booster" "Sudden Change" (skin-care products), "Nutra Nail" and "Power Gel" and "Nutra Nail 60" (nail treatments), "Bikini Zone" (pre and after-shave products), "Mega - T" Green Tea and "Mega G" Grapefruit (dietary products), "Mega - T" chewing gum (anti-oxidant dietary product), Hair Off" (depilatories), "IPR" (foot-care products), "Solar Sense" (sun-care products), "Wash 'N Curl" (shampoos), "Cherry Vanilla" (perfumes), "Scar Zone" (scar diminishing cream), and "Denise Austin, Skin Fit For Life," skin care products.

All Company products are marketed and sold to major drug and food chains, mass merchandisers, and wholesale beauty-aids distributors throughout the United States and Canada. In addition, certain of the Company's products are sold internationally.

The Company recognizes sales at the time its products are shipped to customers. However, while sales are not formally subject to any contract contingency, the acceptance of returns is an industry-wide practice. The Company thus estimates 'unit returns' based upon a review of the market's recent-historical acceptance of subject products as well as current market-expectations, and equates its reserves for estimated returns in the sum of the gross profits, in the five preceding months, realized upon an equivalent number of subject-product sales. (See Item 15, Financial Statements, Note 2). Of course, there can be no precise going-forward assurance in respect to return rates and gross margins, and in the event of a significant increase in the rate of returns, the circumstance could have a materially adverse affect upon the Company's operations.

The Company's net-revenues in fiscal 2004 were \$61,518,000. Gross profits were \$40,147,000. International sales accounted for approximately 2% of sales. The Company experienced a net profit of \$ 5,797,000 for the current fiscal year. Net worth at November 30, 2004, was \$ 23,522,000 despite the repurchase of 500,000 shares of the Company's common stock on October 5, 2004 from Officers/Directors David Edell and Ira W. Berman. (See Certain Relationships and Related Transactions.)

Including the principal members of management (see Directors and Executive Officers), the Company, at November 30, 2004, had 153 sales, administrative, creative, accounting, receiving, and warehouse personnel in its employ.

(b) Manufacturing and Shipping

The Company creates formulations, chooses colors and mixtures, and arranges with independent contractors for the manufacture of its products pursuant to Company specifications. Manufacturing and component-supply arrangements are maintained with several manufacturers and suppliers. Almost all orders and other product shipments are delivered from the Company's own warehouse facilities, which results in more effective inventory control, more efficient shipping procedures, and the realization of related economies.

(c)i Marketing

The Company markets its products to major drug, food and mass-merchandise retail chains, and leading wholesalers, through an in-house sales force of employees and independent sales representatives throughout the United States.

The Company sells its products to approximately 365 accounts, most of which have numerous outlets. Approximately 40,000 stores carry at least one Company product (SKU).

During the fiscal year ended November 30, 2004, the Company's largest customers were Wal-Mart (approximately 34 % of net sales), Walgreen (approximately 11%), McLane, Rite Aid, and CVS, (approximately 9%, 7%, and 7%, respectively). The loss of any of these principal customers, or substantial reduction of sales revenues realized from their business, could materially and negatively affect the Company's earnings.

Most of the Company's products are not particularly susceptible to seasonal-sales fluctuation. However, sales of depilatory, sun-care and diet-aids products customarily peak in the Spring and Summer months, while fragrance-product sales customarily peak in the Fall and Winter months.

(c)ii Advertising

The Company has an in-house advertising department. The advertising staff designs point-of-purchase displays, including 'blister cards', sales brochures and packaging layouts. The production of displays, brochures, layouts and the like is accomplished through contract suppliers.

The Company primarily utilizes local and national television advertisements to promote its leading brands. On occasion, print and radio advertisements are engaged. In addition, and more-or-less continuously, store-centered product promotions are co-operatively undertaken with customers.

Each of the Company's brand-name products is intended to attract a particular demographic segment of the consumer market, and advertising campaigns are directed to the respective market-segments.

The Company's in-house staff is responsible for the 'traffic' of its advertising. Placement is accomplished directly and through media-service companies.

(d) "Wholly-Owned" Products

The majority of the Company's sales revenues are from sales of the Company's "wholly-owned" product lines (i.e., products sold under trademark names owned by the Company, and not subject to any other party's interest or license), which included principally "Plus+White", "Sudden Change", "Wash 'N Curl", "Bikini Zone", "Mood Magic", "Mega -T", "Cherry Vanilla", and "Scar Zone".

(e) All Products

Health and beauty, cosmetic and fragrance and over the counter products accounted for approximately 62%, 12% and 26%, respectively, of the Company's net-sales revenues during fiscal 2004.

(f) License-Agreements Products

i. Alleghany Pharmacial

In 1986, the Company entered into a license agreement with Alleghany Pharmacial Corporation (the "Alleghany Pharmacial License"). Under the terms of the Alleghany Pharmacial License, the Company was granted, and yet retains, the exclusive right to manufacture and market certain products, and to use their associated trademarks, including "Nutra Nail," "Nutra Nail 60," "Pro Perm," "Hair Off," "Permathene" and "IPR".

The Alleghany Pharmacial License required the Company (a) to pay royalties of 6% *per annum* on net sales of "Pro-Perm" hair-care products, the PPA-based and now discontinued dietary-product "Permathene", "IPR" foot-care products, "Nutra-Nail" nail-enamel products, and "Hair-Off" depilatories; and (b) to pay 1% royalties on net sales of a "Hair-Off" mitten that is a depilatory-product accessory, and "Nutra Nail 60", a fast-acting nail enamel, and "Nutra Nail Power Gel."

The Company had been required to pay not less than \$360,000 *per annum* in order to maintain exclusive rights under the Alleghany Pharmacial License. (Royalties have always exceeded the minimum; but, if they did not, the Company would be entitled to maintain exclusive license rights by electing to pay the 'difference.' At the same time, the Company would not be required to pay any fee in excess of royalties payable in respect of realized sales if sales did not yield 'minimum royalties' and the Company chose in such circumstance to concede the license rights.)

The Alleghany Pharmacial License agreement provides that if, and when, in the aggregate, \$9,000,000 in royalties has been paid thereunder, the royalty-rate for those products now 'charged' at 6% will be reduced to 1%. The Company paid an aggregate of \$9,000,000 in royalties to Allegheny in April 2003. Commencing May 1, 2003, the license royalty was reduced to 1%.



The products subject to the Alleghany-Pharmaceutical License accounted for approximately \$10,903,000 or 18 % of total net sales in the fiscal year ended November 30, 2004. "Nutra Nail" and the "Hair-Off" depilatory were the leaders among all of the Company's license-agreement products, producing approximately 9 % and 8 %, respectively, of net sales.

ii. Solar Sense, Inc.

CCA commenced the marketing of its sun-care products line following a May 1998 License Agreement with Solar Sense, Inc. (the "Solar Sense License"), pursuant to which it acquired the exclusive right to use the trademark names "Solar Sense" and "Kids Sense" and the exclusive right to market mark-associated products. The Solar Sense License requires the Company to pay a royalty on net sales of said licensed products until \$1 million total royalties are paid. CCA realized approximately \$ 1,852,000 in net sales of sun-care products in 2004, and paid or accrued Solar Sense the royalty payment in excess of the minimum requirements necessary to maintain the license.

iii. The Nail Consultants Ltd.

In October of 1999, the Company entered into a License Agreement with The Nail Consultants, Ltd. for the use of an activator invented in connection with a method for applying a protective covering to fingernails. The Company's License Agreement with The Nail Consultants, Ltd. is for the use of the method and its composition in a new product kit packaged and marketed by CCA under its own name, "Nutra Nail Power Gel". The Company is required to pay a royalty of net sales of all products sold under the license, by the Company. Net sales were approximately \$1,732,000 in 2004, and the Company paid or accrued the Nail Consultants the prescribed royalty.

iv. Hugger Corporation

In October 2002, the Company entered into a License Agreement with Hugger Corporation for use of its patented oral hygiene system to be used in conjunction with regular toothpaste. The Company's License Agreement is for the use of the product designated and referred to in the patent owned by Hugger Corporation. The Company designed, marketed and distributed the patented product called "Booster" under its Plus+White brand.

The Company is required to pay a royalty of net sales payable quarterly. The Company is required to pay a minimum royalty annually. The royalty will continue until the Patent expires or an aggregate of \$3,500,000 is paid to Licensor. Until that time, Licensee has no liability to meet minimum royalty requirements except to maintain its rights under the License Agreement. In fiscal 2004, the net sales were \$ 1,394,000, and the Company paid or accrued all royalties.

v. Dr. Stephen Hsu - Green Tea

Stephen Hsu, PhD., research faculty member of the Medical College of Georgia, entered into an agreement with the Company on March 10, 2004, to create green tea skin care products based on his years of research related to the various uses of green tea anti-oxidants for skin care problems.

Dr. Hsu collaborated with Drew Edell, Vice-President of Research and Development for the Company, to create and file a patent application for a special anti-oxidant green tea serum to be used for topical skin application. The patent was filed in November 2004.

Dr. Hsu will be entitled to a commission on the net factory sales of all of the Company's products using the green tea serum created exclusively for the Company. The special anti-oxidant green tea serum will be included in the new Denise Austin "Skin Fit For Life" skin care line.

vi. Mega -T Green Tea Chewing Gum and Mints

On May 18, 2004, The Company entered into a license agreement with Tea-Guard, Inc. to manufacture and distribute Mega -T Green Tea chewing gum and Mega -T Green Tea mints. Dr. Stephen Hsu created both formulations under special arrangements with Tea-Guard, Inc. (not related to the Company).

The license agreement requires the Company to pay a minimum royalty in order to maintain its exclusivity for the sale of the products and to continue marketing the products so long as the minimum requirements are met and until royalties have aggregated to \$10,000,000

The Company commenced sales of the Mega -T Green Tea Chewing Gum in July 2004. From July to the November 30, 2004 year-end, The Company realized approximately \$1,149,000 of net sales for the gum.

vii. Denise Austin "Skin Fit For Life" skin care line

On July 14, 2004, the Company entered into a license agreement with Denise Austin, a well known, respected fitness expert. Under the agreement and on the Company's behalf, Ms. Austin and Dr. Stephen Hsu are working together to create a special green tea anti-oxidant line of signature skin care products called the Denise Austin "Skin Fit For Life" skin care line.

The license agreement requires the Company to pay a minimum royalty in order to maintain the exclusive use of the name, "Denise Austin" to manufacture and sell a special line of skin care and cosmetic products. The license will continue so long as minimum royalty payments are met. The initial sales of the skin care anti-oxidant skus are targeted for the first week in February 2005.

viii. Other Licenses

The Company is not party to any other license agreement that is currently material to its operations.

(f) Trademarks

The Company's own trademarks and licensed-use trademarks serve to identify its products and proprietary interests. The Company considers these marks to be valuable assets. However, there can be no assurance, as a practical matter, that trademark registration results in marketplace advantages, or that the presumptive rights acquired by registration will necessarily and precisely

protect the presumed exclusivity and asset value of the marks.

(g) Competition

The market for cosmetics and perfumes, and health-and-beauty aids products in general, including patent medicines, is characterized by vigorous competition among producers, many of whom have substantially greater financial, technological and marketing resources than the Company. Major competitors such as Revlon, L'Oreal, Colgate, Del Laboratories, Unilever, and Procter & Gamble have Fortune 500 status, and the broadest-based public recognition of their products. Moreover, a substantial number of other health-and-beauty aids manufacturers and distributors may also have greater resources than the Company.

(h) Government Regulation

All of the products that the Company markets are subject or potentially subject to particular regulation by government agencies, such as the U.S. Food and Drug Administration, the Federal Trade Commission, and various state and/or local regulatory bodies. In the event that any future regulations were to require new approval for any in-the-market products, or should require approval for any planned product, the Company would attempt to obtain the necessary approval and/or license, assuming reasonable and sufficient market expectations for the subject product. However, there can be no assurance, in the absence of particular circumstances, that Company efforts in respect of any future regulatory requirements would result in approvals and issuance of licenses. Moreover, if such license-requirement circumstances should arise, delays inherent in any application-and-approval process, as well as any refusal to approve, could have a material adverse affect upon existing operations (i.e., concerning in-the-market products) or planned operations.

**Item 2. PROPERTY**

The principal executive offices of the Company are located at 200 Murray Hill Parkway, East Rutherford, New Jersey. Under a new net lease, the Company occupies approximately 60,600 square feet of space. Approximately 43,600 square feet in such premises is used for warehousing and 17,000 square feet for offices. The annual rental is \$327,684, with an annual CPI increase of 3% but not to exceed 15% cumulative 5 year increase. The lease expires on May 31, 2012 with a renewal option for an additional five years.

The lease requires the Company to pay for additional expenses, Common Area Maintenance (“CAM”), which includes real estate taxes, common area expense, utility expense, repair and maintenance expense and insurance expense. For the year ended November 30, 2004, CAM was \$121,692.

**Item 3. LEGAL PROCEEDINGS**

The only material legal proceedings outstanding as of November 30, 2004 were related to the Company’s diet suppressant products containing phenylpropanolamine (“PPA”). There were approximately eleven suits pending in 2002. Reference is made to Forms 8K filed on May 22, 2002 and November 20, 2002 for the background and the insurance issues relative thereto. Three

additional 8Ks have been filed: one on October 29, 2003, one on November 24, 2003 and one on December 11, 2003. Two additional 8Ks were filed in 2004, one on April 7, 2004 and one on August 3, 2004. Eleven of the suits have been dismissed with prejudice with two remaining. One suit is in the process of being dismissed. The remaining suit is insured and is being defended by the Company's insurance carrier.

There are approximately 5,000 suits that have been brought against the numerous pharmaceutical companies that have been engaged in distributing and/or manufacturing PPA products. Almost all have been referred to the United States District Courts in the Western District of Washington (MDL 1407). Outside counsel for the Company believes that the two PPA cases still pending against the Company are defensible. Of the Company's two pending suits, one is insured by the Company's liability carrier. However, there can be no assurance that the current PPA litigation will not have a material adverse effect upon the Company's operations.

#### **Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

On June 16, 2004, the Company held its annual meeting of shareholders. The actions taken, and the voting results thereupon, were as follows:

(1) David Edell, Ira W. Berman, Jack Polak, and Stanley Kreitman were elected as directors by the holders of Class A Common Stock. (No proxy was solicited therefore, whereas Messrs. Berman and Edell own 100% of the Class A Common Stock, and they proposed themselves, Mr. Polak and Mr. Kreitman.)

(2) As proposed by Management, Dunnan Edell, Robert Lage and Gio Batta Gori, Ph.D., were elected as directors by the holders of the Common Stock.

(3) The Board's appointment of Sheft Kahn & Company LLP as the Company's independent certified public accountants for the 2004 fiscal year was approved.

The Company has not submitted any matter to a vote of security holders since the 2004 Annual Meeting.

## PART II

### **Item 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS**

In June 2000, the Company filed a Schedule TO (and an Amendment No.1 thereto) with the Securities And Exchange Commission (“S.E.C.”); and, contemporaneously thereafter, presented the tender offer subject of the Schedule to its shareholders. Pursuant thereto, the Company offered to purchase up to 2,500,000 shares of its own Common Stock (but not Class A Common Stock), in exchange for a \$2 subordinated debenture, maturing August 1, 2005, with 6% interest, payable semi-annually. In response, 278,328 shares were tendered and accepted for payment. The tender offer closed, as provided in the Schedule TO and the Offer documents presented to all Common Stock shareholders, on July 31, 2000. (A second and final amendment to the Schedule TO, reporting the results of the tender offer, was filed with the S.E.C. on August 1, 2000.)

The Company's Common Stock was traded on the NASDAQ National Market. Because, for some time (a) the Common Stock had traded at less than \$1.00 per share, and (b) the total market value of shares available for public trading had been below \$5,000,000, NASDAQ notified the Company that its stock was de-listed. The stock was then traded on the National Market Bulletin Board and continued trading on the BB through the first quarter of fiscal 2003. On March 18, 2003 the stock was listed and began trading on the American Stock Exchange under the symbol “CAW.”

The range of high and low sales prices of the Common Stock during each quarter of its 2004, 2003 and 2002 fiscal years was as follows:

<u>Quarter Ended</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
February 29	\$ 9.35 - \$ 6.70	\$3.80 - \$1.70	\$1.73 - \$1.25
May 31	\$ 8.70 - \$ 7.20	\$5.43 - \$3.05	\$1.74 - \$1.38
August 31	\$10.80 - \$ 6.75	\$8.69 - \$5.10	\$2.00 - \$1.55
November 30	\$11.30 - \$ 7.00	\$8.50 - \$6.60	\$1.99 - \$1.55

The high and low prices for the Company’s Common Stock, on February 1, 2005 were \$13.47 to \$13.20 per share.

The Company’s only ‘sales’ of unregistered securities were represented by its issuance, in consequence of the above described tender offer and Schedule TO, of the \$2, five-year promissory notes, 6% interest, subject of the offer’s \$2 subordinated debenture. (Those securities are unregistered pursuant to an exemption from registration requirements. In any event, and in addition to the form denominated by the S.E.C. as “Schedule TO”, with the Schedule TO information, the following documents subject of the tender offer were filed with the S.E.C., prior to commencement of the offering: A Trust Indenture, a form of the eventually-issued Promissory Notes, and the Offering Document that was thereafter transmitted to Common Stock shareholders.)

As at November 30, 2004, there were approximately 200 individual shareholders of record of the Company's common stock. (There are a substantial number of shares held of record in various

street and depository trust accounts, which represent approximately 1,000 additional shareholders.)

The dividend policy is at the discretion of the Board of Directors and will depend on numerous factors, including earnings, financial requirements and general business conditions. On January 8, 2003, the Board of Directors approved the payment of the Company's first cash dividend in the amount of \$0.12 per share, payable to the holders of the Company's common stock, \$0.06 payable on May 1, 2003 and December 1, 2003 to the shareholders of record on April 1, 2003 and November 1, 2003, respectively.

On December 13, 2003, the Board of Directors declared a \$0.14 per share dividend for fiscal 2004, \$0.07 payable to all shareholders of record May 1, 2004 payable on June 1, 2004 and \$0.07 payable to all shareholders of record November 1, 2004 payable on December 1, 2004.

On June 16, 2004, the Board of Directors declared a 2% stock dividend payable to all shareholders of record on November 1, payable December 1, 2004.

On January 11, 2005, the Board of Directors declared a \$0.16 per share dividend for fiscal 2005, \$0.08 payable to all shareholders of record May 1, 2005 payable on June 1, 2005 and \$0.08 payable to all shareholders of record November 1, 2005 payable on December 1, 2005.

**Item 6. SELECTED FINANCIAL DATA**

	<u>2004</u>	<u>2003</u>	Year Ended November 30, <u>2002</u>	<u>2001</u>	<u>2000</u>
Statement of Income					
Sales	\$60,667,562	\$54,145,480	\$45,241,493	\$41,364,648	\$36,990,170
Other income	<u>850,196</u>	<u>591,271</u>	<u>439,481</u>	<u>338,883</u>	<u>186,284</u>
Costs and Expenses (excluding special charge)	61,517,758	54,736,751	45,680,974	41,703,531	37,176,454
	52,143,479	46,239,853	40,645,418	38,522,778	36,658,875
Income Before Special Charge and Provision for Income Taxes	9,374,279	8,496,898	5,035,556	3,180,753	517,579
Special Charge	-	-	-	-	( 1,500,000)
Net Income (Loss)	5,796,663	5,252,131	3,074,353	2,014,369	( 654,510)
Earnings (Loss) Per Share:					
Basic	\$ .78	\$ .71	\$ .42	\$ .29	(\$ .09)
Diluted	\$ .75	\$ .68	\$ .40	\$ .26	(\$ .09)
Weighted Average Number of Shares Outstanding	7,399,472	7,372,232	7,241,751	7,031,097	7,296,073
Weighted Average Number of Shares and Common Stock Equivalents Outstanding	7,680,781	7,768,361	7,731,583	7,676,680	7,296,073
Balance Sheet Data:			As At November 30,		
Working Capital	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Total Assets	13,562,389	11,565,685	\$11,264,206	\$10,236,977	\$12,361,305
	31,556,577	29,839,216	24,805,064	20,598,917	20,312,056
Total Liabilities	8,034,530	6,494,676	5,969,641	4,674,278	6,345,508
Total Stockholders' Equity (1)(2)	23,522,047	23,344,540	18,835,423	15,924,639	13,966,548

(1) On June 16, 2004, The Company declared a 2% stock dividend payable to all shareholders of record on November 1, payable December 1, 2004.

On January 11, 2005, the Board of Directors declared a \$.16 dividend. \$.08 payable to all shareholders of record May 1, 2005 payable on June 1, 2005 and \$.08 payable to all shareholders of record November 1, 2005 payable December 1, 2005.

(2) On October 3, 2004, The Company repurchased 500,000 shares of its common stock at \$8.99 per share from management. (See Certain Relationships and Related Transactions.)

\* Adjusted for 2% stock dividend in 2004.

## **Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Except for historical information contained herein, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements. These statements involve known and unknown risks and uncertainties that may cause actual results or outcomes to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements, and statements which explicitly describe such issues. Investors are urged to consider any statement labeled with the terms "believes," "expects," "intends" or "anticipates" to be uncertain and forward-looking.

On March 3, 1986, the Company entered into a License Agreement with Alleghany Pharmacal Corporation under the terms of which the Company was granted the exclusive right to use the licensed products and trademarks for the manufacture and distribution of the products subject to the License Agreement. Under the terms of the Alleghany Pharmacal License (see "Business-License Agreements"), the royalty-rate for those Alleghany Pharmacal License products previously 'charged' at 6% will be reduced to 1% now that the sum of \$9,000,000 in royalties has been paid thereunder. In April 2003, the Company concluded payment of an aggregate of \$9,000,000. Therefore, all royalty payments were reduced to 1% on all future orders.

### Comparison of Results for Fiscal Years 2004 and 2003

The Company's revenues increased from \$54,736,751 in fiscal 2003 to \$61,517,758 in the current fiscal year. Gross profit margins remained at 66% this year as they were last year. Net income was \$5,796,663 as compared to \$5,252,131 in fiscal 2003. In accordance with GAAP, the Company reclassified certain advertising expenditures as a reduction of sales rather than report them as advertising expenses. The reclassification is the adoption by the Company of the EITF 90-16 GAAP standard. The reclassification reflects a reduction in sales for the years ended November 30, 2004 and 2003 by \$2,005,596 and \$1,760,308, respectively. The reclassification reduces the gross profit margin but does not affect the net income.

For the current fiscal year, advertising, cooperative and promotional allowance expenditures were \$13,118,784 as compared to \$10,328,695 in fiscal 2003. Advertising expenditures were 21.6% of sales vs. 19.1% last year. SG&A expenses increased 5% to \$17,577,032 from \$16,753,269 in 2003. The increase was due mainly to SG&A expenses, which vary in relation to additional sales volume (i.e. payroll, freight-out, royalties, etc.). Sales returns and allowances increased to 9.2% of gross sales from 8.5% last year. Research and development expenses decreased to \$876,665 this year from \$884,425 last year.

During fiscal 2004, a major drug chain entered into an agreement to be acquired by another major drug chain. The decrease in their orders caused revenue to decrease approximately \$1,563,000 from the prior year.

On November 26, 2004, the Company sold 1,125 shares of K-Mart Holding Corp, (the shares received in distribution in the K-Mart Chapter 11 proceedings) in the gross amount of \$159,483



## Comparison of Results for Fiscal Years 2003 and 2002

The Company's revenues increased from \$45,680,974 in fiscal 2002 to \$54,736,751 in the fiscal 2003. Gross profit margins remained at 66% in the fiscal 2003 as they were in the fiscal 2002. Net income was \$5,252,131 as compared to \$3,074,353. In accordance with GAAP, the Company reclassified certain advertising expenditures as a reduction of sales rather than report them as advertising expenses. The reclassification is the adoption by the Company of the EITF 90-16 GAAP standard. The reclassification reflects a reduction in sales for the years ended November 30, 2003 and 2002 by \$1,760,308 and \$1,169,775, respectively. The reclassification reduces the gross profit margin but does not affect the net income.

For the 2003 fiscal year, advertising, cooperative and promotional allowance expenditures were \$10,328,695 as compared to \$9,239,249 in fiscal 2002. Advertising expenditures were 19.1% of sales vs. 20.4% in 2002. SG&A expenses increased 8.8% to \$16,753,269 from \$15,389,528 in 2002. The increase was due mainly to SG&A expenses, which vary in relation to additional sales volume (i.e. payroll, freight-out, royalties, etc.). Sales returns and allowances decreased to 8.5% of gross sales from 10.4% fiscal 2002. Research and development expenses increased to \$884,425 in the fiscal 2003 from \$741,974 in fiscal 2002.

On January 22, 2002, K-Mart filed for bankruptcy under Chapter XI. As at November 30, 2002, after adjustments for charge-backs, there was \$256,236 due and outstanding for pre-petition receivables for which the Company had set up a reserve of \$230,612 (90%). The Company's sales to K-Mart during 2003, all post-petition, were \$1,222,842. As at November 30, 2003, after K-Mart emerged from bankruptcy, all receivables from K-Mart as debtor-in-possession were current. In fiscal 2003, the Company wrote off the \$230,000 pre-petition receivables and reduced the reserve accordingly.

## Liquidity and Capital Resources

As at November 30, 2004, the Company had working capital of \$13,562,389 as compared to \$11,565,685 at November 30, 2003. The ratio of total current assets to current liabilities is 2.7 to 1 as compared to a ratio of 2.9 to 1 for the prior year. Both the working capital and the current ratio would have been significantly higher if the Company hadn't purchased, on October 5, 2004, an aggregate of 500,000 shares of the Company's common stock at \$8.99 per share from officers/directors, David Edell and Ira W. Berman respectively. Stockholders' equity increased to \$23,522,047 from \$23,344,540 primarily due to the income from operations despite the repurchase of the 500,000 shares.

The Company's cash position and short-term investments at year-end was \$5,094,968, up from \$3,839,235 as at November 30, 2003. The increase is due to the liquidation of some of the Company's short-term and long-term securities. In December 2003, the Company declared a \$.14 dividend for shareholders of record in May and November 2004, which reduced the Company's cash position by approximately \$890,000.

Inventories were \$6,048,000 vs. \$5,312,699, and accounts receivable were \$8,677,984 vs. \$6,604,982. Current liabilities are \$8,023,805 vs. \$5,982,267 in the prior year. At year-end, the

Company had long and short-term triple A investments and cash of \$13,947,166 as compared to \$14,830,646. As of November 30, 2004, the Company was not utilizing any of the funds available under its \$10,000,000 unsecured credit line.

Inventory, Seasonality, Inflation and General Economic Factors

The Company attempts to keep its inventory for every product at levels that will enable shipment against orders within a three-week period. However, certain components must be inventoried well in advance of actual orders because of time-to-acquire circumstances. For the most part, purchases are based upon projected quarterly requirements, which are projected based upon sales indications received by the sales and marketing departments, and general business factors. All of the Company's contract-manufacture products and components are purchased from non-affiliated entities. Warehousing is provided at Company facilities, and all products are shipped from the Company's warehouse facilities.

None of the Company's products are particularly seasonal, but sales of its sun-care, depilatory and diet-aid products usually peak during the Spring and Summer seasons, and perfume sales usually peak in Fall and Winter. The Company does not have a product that can be identified as a 'Christmas item'.

Because its products are sold to retail stores (throughout the United States and, in small part, abroad), sales are particularly affected by general economic conditions. Accordingly, any adverse change in the economic climate can have an adverse impact on the Company's sales and financial condition. The Company does not believe that inflation or other general economic circumstance that would negatively affect operations can be predicted at present, but if such circumstances should occur, they could have material and negative impact on the Company's net sales and revenues; and, more particularly, unless the Company was able to pass along related cost increases to its customers. There was no significant impact on operations as a result of inflation during the current fiscal year.

Contractual Obligations

The following table sets forth the contractual obligations in total for each year of the next five years as at November 30, 2004. Such obligations include the current lease for the Company's premises, written employment contracts and License Agreements.

	2005	2006	2007	2008	2009
Lease on Premises (1)	449,376	449,376	449,376	449,376	449,376
Royalty Expense (2)	606,000	606,000	606,000	606,000	606,000
Employment Contracts (3)	2,194,772	2,294,959	2,401,156	1,988,726	2,108,049
Total Contractual Obligations	3,250,148	3,350,335	3,456,532	3,044,102	3,163,425

(1) The Lease is a net, net lease requiring a yearly rental of \$327,684 plus Common Area Maintenance "CAM". See Section Part I, Item 2. The rental provided above is the base rental and estimated CAM. CAM for 2004 was \$121,692. The figures above do not include adjustments for the CPI. The lease has an annual CPI adjustment of 3%, not to exceed 15% cumulative for five years.

- (2) See Section Part I, Item 1(e). The Company is not required to pay any royalty in excess of realized sales if the Company chooses not to continue under the license. The figures set forth above reflect estimates of the royalty expense anticipated minimum requirements to maintain the licenses under the various contracts for the licensed products based on fiscal 2004 sales. Royalty expense includes Alleghany Pharmacal, Solar Sense, Hugger Corporation, Nail Consultants, Tea-Guard, Inc., Stephen Hsu, PhD, and Denise Austin.
- (3) The Company has executed Employment Contracts with its CEO, David Edell, and its Chairman of the Board, Ira W. Berman. The contracts for both are exactly the same. The contracts expire on December 31, 2010. The contracts provide for a base salary which commenced in 1994 in the amount of \$300,000 (plus a bonus of 20% of the base salary), with a year-to-year CPI or 6%, plus 2.5% of the Company's pre-tax income less depreciation and amortization (EBITDA). (The 2.5% measure in the bonus provision of the Edell/Berman contracts was amended so as to calculate it against earnings before income taxes, less depreciation, amortization and expenditures for media and cooperative advertising in excess of \$8,000,000.) On May 24, 2001, the contract was amended increasing the base salary to \$400,000. The figures above include only the base salaries for the five years (plus 20% of the base salary), and adjustment for CPI, and without estimating bonuses, as the bonus is contingent upon future earnings. David Edell's sons, Dunnan Edell and Drew Edell have five-year employment contracts in the amounts of \$270,000 and \$200,000 respectively, which expire on November 30, 2007 (See Item 11, Summary Compensation Table). In July 2003, Dunnan Edell's salary was increased to \$300,000 and in January 2004, Drew Edell's salary was increased to \$225,000.

Dunnan Edell is a director and during fiscal 2003 was appointed President of the Company and Chief Operating Officer. Drew Edell is the Vice President of Operations and Research, and Product Development.

### **Cautionary Statements Regarding Forward-Looking Statements**

This annual report contains forward-looking statements based upon current expectations of management that involve risks and uncertainty. Actual risks could differ materially from those anticipated. Additional risks and uncertainties not presently known may possibly impair business operations. If any of these risks actually occur, the business, financial conditions and operating results could be materially adversely affected. The cautionary statements made in this Annual Report on Form 10K should be read as being applicable to all forward-looking statements whenever they appear in this Annual Report.

### **Concentration of Risk**

The Company relies on mass merchandisers and major drug chains for the sales of its products. The loss of any one of those accounts could have a substantive negative impact upon its financial operations. During fiscal 2004, a major drug chain entered into an agreement to be acquired by another major drug chain. The decrease in their orders caused revenue to decrease approximately \$1,563,000 from the prior year. {See Business - General, Item 1(c)i Marketing.}

The Company does not manufacture any of its products. All of the products are manufactured for the Company by independent contract manufacturers. There can be no assurance that the failure of a supplier to deliver the products ordered by the Company when requested will not cause burdensome delays in the Company's shipments to accounts. The Company does constantly seek alternative suppliers should a major supplier fail to deliver as contracted. A failure of the Company to ship as ordered by its accounts could cause penalties and/or cancellations.

**There is No Assurance That Business Will Continue to Operate Profitably.**

In the current year, net sales were \$60,667,562. This year, almost all of the products were able to maintain the projected gross profit margins. Net income was \$5,796,663. There were no FDA policies that affected the Company's brands. In 2000, the FDA suggested the discontinuance of the Company's over-the-counter drug appetite suppressant products containing PPA. As a result, revenues that year were reduced by \$1,245,000 due to returns. In addition, the Company also wrote down \$255,000 in inventory causing the Company to incur a loss of \$654,510 for the year. This fiscal year, Mega - T and Mega - G dietary supplements, marketed to replace the drug product, had net revenues of \$ 16,231,919.

**The Pending Litigations in Connection with the Sale of the Company's Products Containing PPA May Entail Significant Uncertainty and Expense.**

As described in "Legal Proceedings" set forth, there were referenced 8Ks filed on May 23, 2002 and November 20, 2002, in which the legal issues were discussed. Currently, there are two remaining cases. One case in Pennsylvania is in the process of being dismissed. The other case pending in Louisiana is fully insured and is being defended by the Company's insurance carrier. All of the other cases have been dismissed with prejudice. As previously advised, it is independent counsel's opinion that the Company has a defensible position in the two remaining lawsuits.

**Competition in the Cosmetic, Health and Beauty Aid Industry is Highly Competitive.**

Reference is made to "Business ' Sub-section' of Competition."

**CLASS A Shareholders Retain Control of Board of Directors.**

See "Voting" in the Proxy Statement dated May 24, 2003. Class A Shareholders, David Edell, CEO and Ira W. Berman, Chairman of the Board of Directors, have the right to elect four members to the Board of Directors. Common stockholders have the right to elect three members to the Board of Directors.

**Future Success Depends on Continued New Product Development.**

The Company is not financially as strong as the major companies against whom it competes. The ability to successfully introduce new niche products and increase the growth and profitability of its current niche brand products will affect the business and prospects of the future of the Company and it relies upon the creativity and marketing skills of management.

**Item 7A. QUANTITATIVE AND QUALITATIVE  
DISCLOSURE ABOUT MARKET RISK**

The Company's financial statements (See Item 15) record the Company's investments under the "mark to market" method (i.e., at date-of-statement market value). The investments are, categorically listed, in "Common Stock", "Mutual Funds", "Other Equity", "Preferred Stock", "Government Obligations" and "Corporate Obligations" (which, primarily, are intended to be held to maturity). \$152,656 of the Company's \$10,804,936 portfolio of investments ( as at Nov. 30, 2004) is invested in the "Common Stock" and "Other Equity" category, and \$615,852 are invested in Preferred Stock holdings. Whereas the Company does not take positions or engage in transactions in risk-sensitive market instruments in any substantial degree, nor as defined by SEC rules and instructions, thus the Company does not believe that its investment-market risk is material.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The Financial Statements are listed under Item 15 in this Form 10-K. The following financial data is a summary of the quarterly results of operations (unaudited) during and for the years ended November 30, 2004 and 2003:

<u>Fiscal 2004</u>	Three Months Ended			
	<u>Feb. 28</u>	<u>May 31</u>	<u>Aug. 31</u>	<u>Nov. 30</u>
Net Sales	\$12,929,465	\$18,143,645	\$16,535,940	\$13,058,512
Total Revenue	13,087,488	18,339,247	16,696,391	13,394,632
Cost of Products Sold	4,849,247	5,852,863	5,413,461	4,405,286
Net Income	836,142	4,646,436	1,457,230	705,088
Earnings Per Share:				
Basic	\$ .11	\$ .38	\$ .19	\$ .10
Diluted	.11	.36	.19	.09
<u>Fiscal 2003</u>	Three Months Ended			
	<u>Feb. 28</u>	<u>May 31</u>	<u>Aug. 31</u>	<u>Nov. 30</u>
Net Sales	\$12,362,785	\$17,439,253	\$12,739,346	\$11,604,097
Total Revenue	12,515,182	17,610,850	12,852,537	11,758,182
Cost of Products Sold	4,446,827	5,316,313	4,030,837	4,374,551
Net Income	573,626	2,584,095	1,287,125	807,285
Earnings Per Share:				
Basic	\$ .08	\$ .35	\$ .17	\$ .11
Diluted	.07	.33	.16	.10

## **Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

The Company did not change its accountants within the twenty-four months prior to the date of the most recent financial statements (nor since), and had no reported disagreement with its accountants on any matter of accounting principles or practices.

### **Item 9A. CONTROLS AND PROCEDURES**

With the participation of our Chief Executive Officer and Chief Financial Officer, management has carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of November 30, 2004.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) pursuant to preliminary evaluations that the Company believes will materially affect, or are reasonably likely to materially affect, internal control over financial reporting.

Under Act 404, The Company's fiscal 2005 annual report is required to be accompanied by a "Section 404 Formal Report" by management on the effectiveness of internal controls over financial reporting. Management has commenced preparing a report and reviewing the internal controls in each of the Company's departments. The Company's independent accounting firm is meeting with the Company to review the internal controls' effectiveness in each department. The filing of the Company's November 30, 2005 must contain an opinion by the Company's independent accounting firm on the effectiveness of the Company's internal controls. The Company's officers are currently working to evaluate and confirm that the Company's automated data processing software systems and other procedures are effective and that the information created by the Company's systems adequately confirm the validity of the information upon which the Company relies.

The Company is taking a thorough review of the effectiveness of its internal controls and procedures, including financial reporting. It is working to strengthen all of its procedures wherever necessary.

The Company's preliminary review has not identified or required any changes over its internal controls that have materially affected, or are reasonably likely to materially affect internal controls over financial reporting.

### PART III

#### **Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

We have a code of ethics that applies to the Chairman of the Board, Directors, Officers and Employees, including our Chief Executive Officer and Chief Financial Officer. You can find our code of ethics in Exhibit 14.

The Executive Officers and Directors of the Company are as follows:

<u>NAME</u>	<u>POSITION</u>	<u>YEAR OF FIRST COMPANY SERVICE</u>
David Edell	Chief Executive Officer, Director	1983
Ira W. Berman	Chairman of the Board of Directors, Secretary, Executive Vice President	1983
Dunnan Edell	President, Chief Operating Officer and Director	1984
Drew Edell	Vice President- Operations and New Product Development Director	1983
John Bingman	Chief Financial Officer	1986
Stanley Kreitman	Director	1996
Jack Polak	Director	1983
Robert Lage	Director	2003
Gio Batta Gori, PhD	Director	2004

David Edell, age 72, is a director, and the Company's Chief Executive Officer. Prior to his association with the Company, he was a marketing and financial consultant; and, by 1983, he had extensive experience in the health and beauty aids field as an executive director and/or officer of Hazel Bishop, Lanolin Plus and Vitamin Corporation of America. In 1954, David Edell received a Bachelor of Arts degree from Syracuse University.

Ira W. Berman, age 73, is the Company's Executive Vice President and Corporate Secretary. He is also Chairman of the Board of Directors. Mr. Berman is an attorney who has been engaged in the practice of law since 1955. He received a Bachelor of Arts Degree (1953) and Bachelor of Law Degree (1955) from Cornell University, and is a member of the American Bar Association.

Dunnan Edell is the 49 year-old son of David Edell. He is a graduate of George Washington University. He has been a director since 1994, and in fiscal 2003, he was promoted to position of President of the Company and Chief Operating Officer. He joined the Company in 1984 and was appointed Divisional Vice-President in 1986. He was employed by Alleghany Pharmacal Corporation from 1982 to 1984, and by Hazel Bishop from 1977 to 1981.

Drew Edell, the 47 year-old son of David Edell, is a graduate of Pratt Institute, where he received a Bachelor's degree in Industrial Design. He joined the Company in 1983, and in 1985, he was appointed Vice President of Product Development and Production.

John Bingman, age 53, received a Bachelor of Science degree from Farleigh Dickenson University in 1973. He worked as a Certified Public Accountant who practiced with the New Jersey accounting firm of Zarrow, Zarrow & Klein from 1976 to 1986.

Jack Polak, age 92, has been a private investment consultant and a banker since April 1982. He is a certified Dutch Tax Consultant and a member of The Netherlands Federation of Certified Tax Consultants. He was knighted on his 80<sup>th</sup> birthday by Queen Beatrix of the Netherlands for his untiring efforts on behalf of the Anne Frank Center USA for which he is still actively working as the "Chairman-Emeritus." On May 23, 2004, Hofstra University in Long Island, NY awarded him with an honorary doctorate in humane letters.

Stanley Kreitman, age 72, has been Vice Chairman of Manhattan Associates an equity investment firm since 1994. He is a director of Medallion Financial Corp. (NASDAQ), Capital Lease Financial Corp.(NYSE), KSW Corp., Geneva Mortgage Corp., and Century Bank. He also serves as Chairman of the New York City Board of Corrections, Nassau County Crime Stoppers, and serves on the board of the Police Athletic League. From 1975 to 1993 he was President of United States Banknote Corp.(NYSE) a securities printer.

Robert Lage, age 68, is a retired CPA. He became a director in fiscal 2003. He was a partner at Price WaterhouseCoopers Management Consulting Service prior to his retirement in 1997. He has been engaged in the practice of public accounting and management consulting since 1959. He received a BBA from Bernard Baruch College of the City University of New York in 1958.

Gio Batta Gori, PhD, 74, was elected as a director in June of 2004. He is president of the Health Policy Center, Bethesda, Maryland, a consulting group in toxicology, epidemiology, nutrition, and related scientific, industrial, and regulatory issues. Advisor to major corporations worldwide, his previous experiences include directing the Franklin Institute Policy Analysis Center, and executive positions at the National Cancer Institute as Deputy Director of the Division of Cancer Causes and Prevention, Director of the Smoking and Health Program, Director of the Diet, Nutrition and Cancer Program. He held earlier positions in the pharmaceutical and biologics industry, and in academia. Recipient of the U.S. Department of Health Education and Welfare Superior Service Award, he is active in toxicology, carcinogenesis, nutrition, tobacco, and environmental issues. He has been a two-term President of the International Society of Regulatory Toxicology and Pharmacology, is a member of scientific societies, fellow of the Academy of Toxicological Sciences, funding and former editor of the journal *Nutrition and Cancer*, and editor of the journal *Regulatory Toxicology and Pharmacology*.



## Item 11. EXECUTIVE COMPENSATION

### i. Summary Compensation Table

The following table summarizes compensation earned in the 2004, 2003 and 2002 fiscal years by all of the executive officers whose fiscal 2004 compensation exceeded \$100,000, including the Chief Executive Officer (the "Named Officers").

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		
		Salary	Bonus	All Other Annual Compen- sation(1)	Number of Shares Covered by Stock Options Granted(2)	Other Long-Term Compen- sation
David Edell, Chief Executive Officer	2004	\$656,357	\$573,543	\$38,294	-	0
	2003	619,205	459,240	39,476	-	0
	2002	584,155	332,060	40,152	-	0
Ira W. Berman, Secretary and Executive Vice President	2004	\$656,357	\$573,543	\$24,739	-	0
	2003	619,205	459,240	29,499	-	0
	2002	584,155	332,060	27,475	-	0
Dunnan Edell, President, Chief Operating Officer	2004	\$312,692	\$ 95,000	\$ 5,305	-	0
	2003	282,692	50,000	1,931	-	0
	2002	253,172	45,000	7,281	-	0
Drew Edell Vice President Operations	2004	\$222,596	\$ 50,000	\$ 1,951	-	0
	2003	200,000	25,000	5,081	-	0
	2002	203,845	25,000	1,178	-	0
John Bingman Chief Financial Officer	2004	\$111,980	\$ 40,000	\$ 1,005	-	0
	2003	105,128	25,000	2,696	-	0
	2002	99,843	20,000	3,037	-	0
Joel Last Vice President Sales	2004	\$167,077	\$ 40,900	\$ 185	-	0
	2003	160,000	32,000	4,833	-	0
	2002	160,000	15,000	5,984	-	0
Pat Haberman Vice President Sales	2004	\$156,922	\$ 39,625	\$6,000	-	0
	2003	152,077	31,350	9,278	-	0
	2002	150,000	10,000	9,603	-	0

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 (1) Includes the personal-use value of Company-leased automobiles, the value of Company-provided life insurance, and health insurance that is made available to all employees.

(2) Information in respect of stock option plans appears below in the sub-topic, Employment Contracts/Executive Compensation Program.

ii. Fiscal 2004 Option Grants and Option Exercises,  
Year-End Option Valuation, Option Repricing

New options were issued to the Named Officers in fiscal 2004.

The next table identifies 2004 fiscal-year option exercises by Named Officers, and reports a valuation of their options.

Fiscal 2004 Aggregated Option Exercises  
and November 30, 2004 Option Values

	<u>Number of Shares Acquired On Exercise</u>	<u>Value Realized (1)</u>	<u>Number of Shares Covered by Un- exercised Options at December 1, 2004</u>	<u>Value of Unexercised In-the-Money Options at December 1, 2004</u>
David Edell	10,000	\$ 80,000	112,500	\$1,237,500
Ira W. Berman	30,000	\$240,000	112,000	\$1,232,000
Dunnan Edell	-	-	90,000	\$ 990,000
Drew Edell	75,000	\$468,750	15,000	\$ 165,000
John Bingman	-	-	10,000	\$ 29,000
Stanley Kreitman	10,000	\$ 68,500	15,000	\$ 165,000

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 (1) Represents the difference between market price and the respective exercise prices of options as of the exercise date.

Repriced Options

The following table identifies the stock options held by the Named Officers and all other officers and directors, the exercise prices of which have been reduced during the past 10 years.

	<u>Number of Shares</u>	<u>Original Grant Date</u>	<u>Original Price</u>	<u>Date Repriced</u>	<u>New Price</u>
David Edell (1)	100,000	Aug. 1, 1997	\$2.50	May 24, 2001	.50
Ira W. Berman (1)	100,000	Aug. 1, 1997	2.50	May 24, 2001	.50

Dunnan Edell (1)	50,000	Aug. 1, 1997	2.50	May 24, 2001	.50
Drew Edell (1)	50,000	Aug. 1, 1997	2.50	May 24, 2001	.50
Stanley Kreitman (1)	25,000	Aug. 1, 1997	2.50	May 24, 2001	.50
Jack Polak (1)	25,000	Aug. 1, 1997	2.50	May 24, 2001	.50
Rami Abada (1)	25,000	Aug. 1, 1997	2.50	May 24, 2001	.50
Dunnan Edell (1)(2)	25,000	Jun. 10, 1995	4.50	May 24, 2001	.50
Drew Edell (1)(2)	25,000	Jun. 10, 1995	4.50	May 24, 2001	.50

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(1) On November 3, 1998, the full Board of Directors authorized the repricing in consequence of a declining market valuation, inconsistent with the Company's realizable value. The market price of the Common Stock at the date of repricing was \$1.00; and, at that date, the original option terms (10 years from August 1, 1997) had approximately 8 years and 10 months remaining. When the options were originally issued, on August 1, 1997, the market price of the Company's Common Stock was \$2.50. On May 24, 2001, the Company repriced the options again when the market price was \$.50.

(2) On June 10, 2000, the full Board of Directors authorized the repricing in consequence of a declining market valuation, inconsistent with the Company's realizable value. The market price of common stock at the date of repricing was \$1.10; and at that date the original terms (5 years from June 10, 1995) were extended for an additional 5 years. When the options were originally issued on June 10, 1995, the market price of the Company's common stock was \$3. On May 24, 2001, the Company repriced the options again when the market price was \$.50, and changed the expiration date to August 1, 2007.

### iii. Compensation of Directors

Each outside director was paid between \$2,500 and \$5,000 per meeting for attendance of board meetings in fiscal 2004 (without additional compensation for committee meetings). Mr. Lage received an additional \$30,000 as chairman of the audit committee. The full Board of Directors met five times in fiscal 2004.

### iv. Executive Compensation Principles

#### Audit and Compensation Committee

The Company's Executive Compensation Program is based on guiding principles designed to align executive compensation with Company values and objectives, business strategy, management initiatives, and financial performance. In applying these principles the Audit and Compensation Committee of the Board of Directors, comprised of Stanley Kreitman, Jack Polak and Robert Lage, which met three times in fiscal 2004, has established a program to:

- Reward executives for long-term strategic management and the enhancement of shareholder value.
- Integrate compensation programs with both the Company's annual and long-term strategic planning.

- Support a performance-oriented environment that rewards performance not only with respect to Company goals but also Company performance as compared to industry performance levels.

Stanley Kreitman, former president of a national bank, qualifies as a “financial expert” as defined by the SEC in Instruction 1 to proposed Item 309 of Regulation S-K, which is set forth in the SEC Release No. 34 - 46701 dated October 22, 2003. Mr. Kreitman is an “independent” as that term is used in Section 10A(m)(3) of the Exchange Act.

Jack Polak was knighted by the Dutch government in 1993. He is a certified Dutch tax consultant and a member of the association of certified tax accountants. The Board has deemed that he is both “independent” and qualifies as a “financial expert.”

Robert A. Lage, chairman of the audit committee and a retired CPA, was a partner at PriceWaterhouseCoopers Management Consulting Service prior to his retirement in 1997. He has been engaged in the practice of public accounting and management consulting since 1959. He received a BBA from Bernard Baruch College of the City University of New York in 1958. The Board has deemed that he is both “independent” and qualifies as a “financial expert”.

#### v. Employment Contracts/Compensation Program

The total compensation program consists of both cash and equity based compensation. The Audit and Compensation Committee (the "Committee") determines the level of salary and bonuses, if any, for key executive officers of the Company. The Committee determines the salary or salary range based upon competitive norms. Actual salary changes are based upon performance, and bonuses were awarded by the Committee in consideration of the Company's performance during the 2004 fiscal year.

The Company has executed Employment Contracts with its CEO, David Edell and its Chairman of the Board, Ira W. Berman. The contracts for both are exactly the same. The contracts expire on December 31, 2010. The contracts provide for a base salary which commenced in 1994 in the amount of \$300,000, with a year-to-year CPI or 6% plus 2.5% of the Company's pre-tax income less depreciation and amortization (EBITDA), plus 20% of the base salary for the fiscal year. (The “2.5% measure” in the bonus provision of the Edell/Berman contracts was amended so as to calculate it against earnings before income taxes, less depreciation, amortization and expenditures for media and cooperative advertising in excess of \$8,000,000). On May 24, 2001, the contract was amended increasing the base salary to \$400,000.

David Edell's sons, Dunnan Edell and Drew Edell have five-year employment contracts in the amounts of \$270,000 and \$200,000 respectively, which expire on November 30, 2007. (See Item 11, Summary Comprehensive Table). Dunnan Edell is a director and President of the Company. Drew Edell is a director and the Vice President of Operations and Research and Product Development. On July 1 2003, Dunnan Edell's salary was increased to \$300,000, and on January 5, 2004, Drew Edell's salary was increased to \$225,000.

vi. Stock Option Plans

Long-term incentives are provided through the issuance of stock options.

(The 1984 Stock Option Plan covered 1,500,000 shares of its Common Stock, and the 1986 Stock Option Plan covered 1,500,000 shares of its Common Stock.) On July 9, 2003, the Company's Stock Option Plan was approved by the shareholders authorizing the issuance of options to issue up to 1,000,000 shares.

The Company's 2003 Stock Option Plan covers 1,000,000 shares of its Common Stock.

The 2003 Option Plan provides (as had the 1984 , 1986 and the 1994 plans) for the granting of two (2) types of options: "Incentive Stock Options" and "Nonqualified Stock Options". The Incentive Stock Options (but not the Nonqualified Stock Options) are intended to qualify as "Incentive Stock Options" as defined in Section 422(a) of The Internal Revenue Code. The Plans are not qualified under Section 401(a) of the Code, nor subject to the provisions of the Employee Retirement Income Security Act of 1974.

Options may be granted under the Options Plans to employees (including officers and directors who are also employees) and consultants of the Company provided, however, that Incentive Stock Options may not be granted to any non-employee director or consultant.

Option plans are administered and interpreted by the Board of Directors. (Where issuance to a Board member is under consideration, that member must abstain.) The Board has the power, subject to plan provisions, to determine the persons to whom and the dates on which options will be granted, the number of shares subject to each option, the time or times during the term of each when options may be exercised, and other terms. The Board has the power to delegate administration to a Committee of not less than two (2) Board members, each of whom must be disinterested within the meaning of Rule 16b-3 under the Securities Exchange Act, and ineligible to participate in the option plan or in any other stock purchase, option or appreciation right under plan of the Company or any affiliate. Members of the Board receive no compensation for their services in connection with the administration of option plans.

Option Plans permit the exercise of options for cash, other property acceptable to the Board or pursuant to a deferred payment arrangement. The 1994 Plan specifically authorizes that payment may be made for stock issuable upon exercise by tender of Common Stock of the Company; and the Executive Committee is authorized to make loans to option exercisers to finance optionee tax-consequences in respect of option exercise, but such loans must be personally guaranteed and secured by the issued stock.

The maximum term of each option is ten (10) years. No option granted is transferable by the optionee other than upon death.

Under the plans, options will terminate three (3) months after the optionee ceases to be employed by the Company or a parent or subsidiary of the Company unless (i) the termination of employment is due to such person's permanent and total disability, in which case the option may, but need not, provide that it may be exercised at any time within one (1) year of such termination (to the

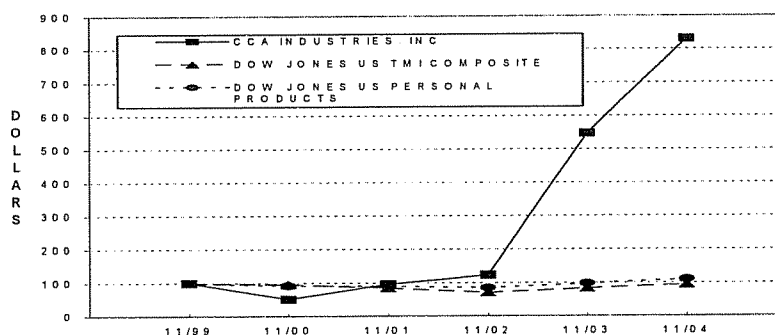
extent the option was vested at the time of such termination); or (ii) the optionee dies while employed by the Company or a parent or subsidiary of the Company or within three (3) months after termination of such employment, in which case the option may, but need not provide that it may be exercised (to the extent the option was vested at the time of the optionee's death) within eighteen (18) months of the optionee's death by the person or persons to whom the rights under such option pass by will or by the laws of descent or distribution; or (iii) the option by its terms specifically provides otherwise.

The exercise price of all nonqualified stock options must be at least equal to 85% of the fair market value of the underlying stock on the date of grant. The exercise price of all Incentive Stock Options must be at least equal to the fair market value of the underlying stock on the date of grant. The aggregate fair market value of stock of the Company (determined at the date of the option grant) for which any employee may be granted Incentive Stock Options in any calendar year may not exceed \$100,000, plus certain carryover allowances. The exercise price of an Incentive Stock Option granted to any participant who owns stock possessing more than ten (10%) of the voting rights of the Company's outstanding capital stock must be at least 110% of the fair market value on the date of grant. As at November 30, 2004, 429,500 stock options, yet exercisable, to purchase 429,500 shares of the Company's Common Stock, were outstanding.

vii. Performance Graph

Set forth below is a line graph comparing cumulative total shareholder return on the Company's Common Stock, with the cumulative total return of companies in the NASDAQ Stock Market (U.S.) and the cumulative total return of Dow Jones's TMI/Personal Products Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*  
AMONG CCA INDUSTRIES, INC., THE DOW JONES US TMI COMPOSITE INDEX  
AND THE DOW JONES US PERSONAL PRODUCTS INDEX



	Cumulative Total Return					
	11/99	11/00	11/01	11/02	11/03	11/04
CCA INDUSTRIES, INC.	100.00	51.14	96.02	123.04	547.17	831.06
DOW JONES US TMI COMPOSITE	100.00	95.50	84.31	70.61	83.09	94.11
DOW JONES US PERSONAL PRODUCTS	100.00	91.25	90.18	84.75	97.63	109.44

\* \$100 invested on November 30, 1999 in stock and indices, including reinvestment of dividends

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information regarding the ownership of the Company's Common Stock and/or Class A Common Stock as of November 30, 2004 by (i) all those known by the Company to be owners of more than five percent of the outstanding shares of Common Stock or Class A Common Stock; (ii) each officer and director; and (iii) all officers and directors as a group. Unless otherwise indicated, each of the shareholders has sole voting and investment power with respect to the shares owned (subject to community property laws, where applicable), and is beneficial owner of them.

<u>Name and Address</u>	<u>Number of Shares Owned (1):</u>		<u>"Option Shares" (1)</u>	<u>Ownership, As A Percentage of All Shares Outstanding/Assuming Option Share Exercise (1)</u>	
	<u>Common Stock</u>	<u>Class A (2)</u>			
David Edell c/o CCA Industries, Inc. 200 Murray Hill Parkway East Rutherford, NJ 07073	159,532	494,307	112,500	9.3%	10.3%
Ira W. Berman c/o CCA Industries, Inc.	187,647	483,087	112,000	9.5%	10.5%
Jack Polak 195 Beach Street Eastchester, NY 10709	28,254	-	25,000	.4%	.7%
Stanley Kreitman c/o CCA Industries, Inc.	10,200	-	15,000	.1%	.3%
Dunnan Edell c/o CCA Industries, Inc.	42,075	-	90,000	.6%	1.8%
Robert Lage 72 Cypress Point Lane Jackson, NJ 08527	-	-	-	-	-
Drew Edell c/o CCA Industries, Inc.	123,108	-	15,000	1.7%	1.9%
John Bingman c/o CCA Industries, Inc.	-	-	10,000	0%	.1%
Officers and Directors as a group (8 persons)	561,608	977,394	379,500		

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(1) The number of "Option Shares" represents the number of shares that could be purchased by and upon exercise of unexercised options exercisable within 60 days; and the percentage ownership figure denominated "Assuming Option Share Exercise" assumes, per person, that unexercised options have been exercised and, thus, that subject shares have been purchased and are actually owned. In turn, the "assumed" percentage ownership figure is measured, for each owner, as if each had exercised such options, and purchased subject 'option shares,' and thus increased total shares actually outstanding, but that no other option owner had 'exercised and purchased.'

(2) David Edell and Ira Berman own 100% of the outstanding shares of Class A Common Stock. Messrs. David Edell, Dunnan Edell, Drew Edell and Ira Berman are officers and directors. Mr. John Bingman is an officer. Messrs. Lage, Kreitman and Polak are independent, outside directors.

### **Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

During fiscal 2004, several related parties provided services to the Company, which were deemed immaterial to the financial statements.

On October 3, 2004, the Company repurchased 500,000 shares of the Company's common stock, 250,000 shares each from David Edell and Ira W. Berman at a price of \$8.99. The Company has no present plans for the purchase of any additional shares of its common stock this fiscal year.

### **Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Sheft Kahn & Company LLP ("Sheft Kahn") served as the Company's independent auditors for 2004 and 2003. The services performed by Sheft Kahn in this capacity included conducting an audit in accordance with generally accepted auditing standards of, and expressing an opinion on, the Company's consolidated financial statements.

#### Audit Fees

Sheft Kahn's fees for professional services rendered in connection with the audit and review of Forms 10-K and all other SEC regulatory filings were \$166,008 for the 2004 fiscal year and \$177,614 for the 2003 fiscal year. The Company has paid and is current on all billed fees.

#### Tax Fees

Sheft Kahn's fees for professional services rendered in connection with Federal and State tax return preparation and other tax matters for the 2004 and 2003 fiscal years were \$41,181 and \$42,846, respectively.

#### Engagements Subject to Approval

Under its charter, the Audit Committee must pre-approve all subsequent engagements of our independent auditor unless an exception to such pre-approval exists under the Securities Exchange Act of 1934 or the rules of the Securities and Exchange Commission. Each year, the



independent auditor's retention to audit our financial statements, including the associated fee, is approved by the committee before the filing of the preceding year's annual report on form 10-K. At the beginning of the fiscal year, the Audit Committee will evaluate other known potential engagements of the independent auditor, including the scope of the work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. At each subsequent committee meeting, the committee will receive updates on the services actually provided by the independent auditor, and management may present additional services for approval. The committee has delegated to the Chairman of the committee the authority to evaluate and approve engagements on behalf of the committee in the event that a need arises for pre-approval between committee meetings. If the Chairman so approves any such engagements, he will report that approval to the full committee at the next committee meeting.

Since the May 6, 2003 effective date of the Securities and Exchange Commission rules stating that an auditor is not independent of an audit client if the services it provides to the client are not appropriately approved, each new engagement of Sheft Kahn & Company LLP was approved in advance by the Audit Committee, and none of those engagements made use of the *de minimus* exception to pre-approval contained in the Commission's rules.

## PART IV

### Item 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

#### Financial Statements:

Table of Contents, Independent Auditors' Report, Consolidated Balance Sheets as of November 30, 2004 and 2003, Consolidated Statements of Income (Loss) for the years ended November 30, 2004, 2003 and 2002, Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of Shareholders' Equity for the years ended November 30, 2004, 2003 and 2002, Consolidated Statements of Cash Flows for the years ended November 30, 2004, 2003 and 2002, Notes to Consolidated Financial Statements.

#### Financial Statement Schedules:

Schedule II: Valuation Accounts; Years Ended Nov. 30, 2004, 2003 and 2002. The remaining financial statement schedules have been omitted since they are not required to be filed.

#### Exhibits:

- (3) The Company's Articles of Incorporation and Amendments thereof, and its By-Laws, are incorporated by reference to their filing with the Form 10-K/A filed April 5, 1995. (Exhibit pages 000001-23).
- (1) The Indenture (and the Promissory note exhibited therewith) defining the rights of former shareholders who tendered Common Stock to the Company for its \$2 per share, five-year, 6% debenture, is filed by reference to the filing of such documents with the Schedule TO filed with the S.E.C., on June 5, 2001.
- (10) (a) The Following Material Contracts are incorporated by reference to their filing with the Form 10-K/A filed April 5, 1995: Amended and Restated Employment Agreements of 1994, with David Edell and Ira Berman; License Agreement made February 12, 1986 with Alleghany Pharmacal Corporation.  
  
(b) The February 1999 Amendments to the Amended and Restated Employment Agreements of David Edell and Ira Berman (1994) are incorporated by reference to the 1998 10-K. (Exhibit pages 00001-00002). The May 29, 2001 Amended and Restated Employment Agreements of David Edell and Ira Berman are incorporated by reference herein.  
  
(c) The Forms 8K, filed on May 22, 2002 and November 20, 2002, are incorporated by reference to this 2004 10K. Three 8Ks are referenced, October 29, 2003, November 24, 2003 and December 11, 2003. Three additional 8Ks are referenced, one on April 7, 2004, one on August 3, 2004 and the last on October 6, 2004.  
  
(d) The Company's 2003 Stock Option Plan was filed with the 2003 Proxy.

(11) Statement re Per Share Earnings (included in Item 15, Financial Statements)

Three Forms 8-K were filed during the 2004 fiscal year.

(14) Code of Ethics for Chief Executive Officer and Senior Financial Officers are referenced

(31.1) Certification of Chief Executive Officer pursuant to Rule 13a-14(a) included herein

(31.2) Certification of Chief Financial Officer pursuant to Rule 13a-14(a) included herein

(32.1) Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350 included herein

(32.2) Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350 included herein

Shareholders may obtain a copy of any exhibit not filed herewith by writing to CCA Industries, Inc., 200 Murray Hill Parkway, East Rutherford, New Jersey 07073. Moreover, exhibits may be inspected and copied at prescribed rates at the Commission's public reference facilities at Judiciary Plaza, 450 Fifth Street, NW, Washington, D.C. 20549; Jacob K. Javits Federal Building, 26 Federal Plaza, New York, New York 10278; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials may also be obtained by mail at prescribed rates from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and one is available at the Commission's Internet website (<http://www.sec.gov>).



**CCA INDUSTRIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**NOVEMBER 30, 2004 AND 2003**

## CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM .....	1
FINANCIAL STATEMENTS:	
CONSOLIDATED BALANCE SHEETS .....	2-3
CONSOLIDATED STATEMENTS OF INCOME .....	4
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME .....	5
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY .....	6
CONSOLIDATED STATEMENTS OF CASH FLOWS .....	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS .....	8-31
SUPPLEMENTARY INFORMATION	

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
CCA Industries, Inc.  
East Rutherford, New Jersey

We have audited the consolidated balance sheets of CCA Industries, Inc. and Subsidiaries as of November 30, 2004 and 2003, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended November 30, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CCA Industries, Inc. and Subsidiaries as of November 30, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended November 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

SHEFT KAHN & COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2005  
Jericho, New York

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

A S S E T S

	November 30,	
	<u>2004</u>	<u>2003</u>
Current Assets		
Cash and cash equivalents (Note 14)	\$ 3,142,230	\$ 1,206,787
Short-term investments and marketable securities (Notes 2 and 6)	1,952,738	2,632,448
Accounts receivable, net of allowances of \$895,723 and \$1,222,408, respectively	8,677,984	6,604,982
Inventories (Notes 2 and 3)	6,048,000	5,312,699
Prepaid expenses and sundry receivables	695,653	590,850
Prepaid income taxes and refunds due (Note 8)	418,651	236,620
Deferred income taxes (Note 8)	<u>650,938</u>	<u>963,566</u>
Total Current Assets	<u>21,586,194</u>	<u>17,547,952</u>
Property and Equipment, net of accumulated depreciation and amortization (Notes 2 and 4)	<u>569,745</u>	<u>728,522</u>
Intangible Assets, net of accumulated amortization (Notes 2 and 5)	<u>511,029</u>	<u>532,193</u>
Other Assets		
Marketable securities (Notes 2 and 6)	8,852,198	10,991,411
Other	<u>37,411</u>	<u>39,138</u>
Total Other Assets	<u>8,889,609</u>	<u>11,030,549</u>
Total Assets	<u>\$31,556,577</u>	<u>\$29,839,216</u>

See Notes to Consolidated Financial Statements.



**CCA INDUSTRIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<u>2004</u>	November 30, <u>2003</u>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 6,982,835	\$ 5,603,150
Income tax payable	59,888	-
Dividends payable	483,426	379,117
Subordinated debentures (Note 7)	<u>497,656</u>	<u>-</u>
Total Current Liabilities	<u>8,023,805</u>	<u>5,982,267</u>
Subordinated Debentures (Note 7)	<u>-</u>	<u>497,656</u>
Deferred Income Taxes (Note 8)	<u>10,725</u>	<u>14,753</u>
Commitments and Contingencies (Note 12)		
<b>Shareholders' Equity</b>		
Preferred stock, \$1.00 par; authorized 20,000,000 shares; none issued	-	-
Common stock, \$.01 par; authorized 15,000,000 shares; issued and outstanding 6,153,503 and 6,724,509 shares, respectively	61,535	67,245
Class A common stock, \$.01 par; authorized 5,000,000 shares; issued and outstanding 977,394 shares, respectively	9,774	9,774
Additional paid-in capital	3,833,734	3,829,914
Retained earnings	19,995,619	19,891,541
Unrealized (losses) on marketable securities	<u>(228,944)</u>	<u>(95,228)</u>
	23,671,718	23,703,246
Less: Treasury Stock (86,703 and 279,536 shares at November 30, 2004 and 2003, respectively)	<u>149,671</u>	<u>358,706</u>
Total Shareholders' Equity	<u>23,522,047</u>	<u>23,344,540</u>
Total Liabilities and Shareholders' Equity	<u>\$31,556,577</u>	<u>\$29,839,216</u>

See Notes to Consolidated Financial Statements.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended November 30,		
	2004	2003	2002
Revenues			
Sales of health and beauty aid products, net	\$60,667,562	\$54,145,480	\$45,241,493
Other income	<u>850,196</u>	<u>591,271</u>	<u>439,481</u>
	<u>61,517,758</u>	<u>54,736,751</u>	<u>45,680,974</u>
Costs and Expenses			
Cost of sales	20,520,857	18,168,528	15,342,317
Selling, general and administrative expenses	17,577,032	16,753,269	15,389,528
Advertising, cooperative and promotions	13,118,784	10,328,695	9,239,249
Research and development	876,665	884,425	741,974
Provision for doubtful accounts	18,675	73,537	( 105,724)
Interest expense	<u>31,466</u>	<u>31,399</u>	<u>38,074</u>
	<u>52,143,479</u>	<u>46,239,853</u>	<u>40,645,418</u>
Income before Provision for Income Taxes	9,374,279	8,496,898	5,035,556
Provision for Income Tax	<u>3,577,616</u>	<u>3,244,767</u>	<u>1,961,203</u>
Net Income	<u>\$ 5,796,663</u>	<u>\$ 5,252,131</u>	<u>\$ 3,074,353</u>
Weighted Average Shares *			
Outstanding			
Basic	<u>7,399,472</u>	<u>7,372,232</u>	<u>7,241,754</u>
Diluted	<u>7,680,781</u>	<u>7,768,361</u>	<u>7,731,583</u>
Earnings Per Common Share*			
(Note 2):			
Basic	<u>\$ .78</u>	<u>\$ .71</u>	<u>\$ .42</u>
Diluted	<u>\$ .75</u>	<u>\$ .68</u>	<u>\$ .40</u>

\* Adjusted for 2% stock dividend.

See Notes to Consolidated Financial Statements.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended November 30,		
	2004	2003	2002
Net Income	<u>\$5,796,663</u>	<u>\$5,252,131</u>	<u>\$3,074,353</u>
Other Comprehensive Income (Loss)			
Unrealized holding gain (loss) on investments	( 133,716)	12,762	( 57,839)
Provision (Benefit) for Income Taxes	( 51,032)	4,874	( 22,527)
Other Comprehensive Income (Loss) - Net	( 82,684)	7,888	( 35,312)
Comprehensive Income	<u>\$5,713,979</u>	<u>\$5,260,019</u>	<u>\$3,039,041</u>
Earnings Per Share:*			
Basic	<u>\$ .77</u>	<u>\$ .71</u>	<u>\$ .42</u>
Diluted	<u>\$ .74</u>	<u>\$ .68</u>	<u>\$ .39</u>

\* Adjusted for 2% stock dividend.

See Notes to Consolidated Financial Statements.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED NOVEMBER 30, 2004, 2003 AND 2002**

	Common Stock (1) Shares	Amount	Additional Paid-In Capital	Retained Earnings	Unrealized Gain (Loss) on Marketable Securities	Treasury Stock
Balance - December 1, 2001	7,409,014	\$74,090	\$3,832,843	\$12,315,062	(\$ 50,151)	(\$247,205)
Issuance of common stock	153,000	1,530	( 1,530)	-	-	-
Net income for the year	-	-	-	3,074,353	-	-
Unrealized (loss) on marketable securities	-	-	-	-	( 57,839)	-
Purchase of 54,018 shares of treasury stock	-	-	-	-	-	( 105,730)
Balance - November 30, 2002	<u>7,562,014</u>	<u>75,620</u>	<u>3,831,313</u>	<u>15,389,415</u>	<u>( 107,990)</u>	<u>( 352,935)</u>
Issuance of common stock	139,889	1,399	( 1,399)	-	-	-
Net income for the year	-	-	-	5,252,131	-	-
Dividends declared	-	-	-	( 750,005)	-	-
Unrealized gain on marketable securities	-	-	-	-	12,762	-
Purchase of 2,958 shares of treasury stock	-	-	-	-	-	( 5,771)
Balance - November 30, 2003	<u>7,701,903</u>	<u>77,019</u>	<u>3,829,914</u>	<u>19,891,541</u>	<u>( 95,228)</u>	<u>( 358,706)</u>
Issuance of common stock	131,827	1,318	3,682	-	-	-
Net income for the year	-	-	-	5,796,663	-	-
Unrealized (loss) on marketable securities	-	-	-	-	( 133,716)	-
Retirement of treasury stock	( 192,833)	( 1,928)	38	( 207,145)	-	209,035
Purchase and retirement of common stock	( 510,000)	( 5,100)	100	( 4,490,000)	-	-
Dividends declared	-	-	-	( 995,440)	-	-
Balance - November 30, 2004	<u>7,130,897</u>	<u>\$71,309</u>	<u>\$3,833,734</u>	<u>\$19,995,619</u>	<u>(\$228,944)</u>	<u>(\$149,671)</u>

(1) On June 16, 2004, the Company declared a 2% stock dividend payable to all shareholders of record on November 1, payable December 1, 2004. Stockholders' equity has been retroactively restated to give effect for the stock dividend.

See Notes to Consolidated Financial Statements.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED NOVEMBER 30,**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities:			
Net income	\$5,796,663	\$5,252,131	\$3,074,353
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	347,651	361,730	357,627
(Gain) on sale of securities	( 143,736)	( 9,518)	( 119)
(Gain) on sale of trademark	( 50,000)	-	-
Decrease (increase) in deferred income taxes	308,600	333,569	375,126
Loss on disposal of property and equipment	-	-	27,629
(Increase) in accounts receivable	( 2,073,002)	( 339,027)	( 1,800,964)
(Increase) decrease in inventory	( 735,301)	( 1,569,568)	1,040,399
(Increase) decrease in prepaid expenses and sundry receivables	( 104,803)	( 227,393)	37,946
(Increase) decrease in prepaid income taxes and refunds due	( 182,031)	( 234,917)	220,286
Decrease in other assets	1,727	17,250	275
Increase in accounts payable and accrued liabilities	1,379,685	319,041	1,129,853
Increase (decrease) in income taxes payable	<u>59,888</u>	<u>( 178,690)</u>	<u>169,324</u>
Net Cash Provided by Operating Activities	<u>4,605,341</u>	<u>3,724,608</u>	<u>4,631,735</u>
Cash Flows from Investing Activities:			
Acquisition of property and equipment	( 140,674)	( 321,446)	( 575,923)
Acquisition of intangible assets	( 27,036)	( 2,846)	( 6,292)
Purchase of available for sale securities	( 4,249,221)	( 9,888,309)	( 6,767,658)
Proceeds from sale of available for sale securities	7,078,164	6,485,792	1,839,729
Proceeds from sale of trademark	50,000	-	-
Proceeds of money due from officers	<u>-</u>	<u>-</u>	<u>20,598</u>
Net Cash Provided by (Used in) Investing Activities	<u>2,711,233</u>	<u>( 3,726,809)</u>	<u>( 5,489,546)</u>
Cash Flows from Financing Activities:			
Purchase and retirement of common shares	( 4,495,000)	-	-
Repurchase of outstanding debentures	-	-	( 6,750)
Proceeds from exercise of stock options	5,000	-	-
Purchase of treasury stock	-	( 5,771)	( 105,730)
Dividends paid	<u>( 891,131)</u>	<u>( 370,888)</u>	<u>-</u>
Net Cash (Used in) Financing Activities	<u>( 5,381,131)</u>	<u>( 376,659)</u>	<u>( 112,480)</u>
Net Increase (Decrease) In Cash	1,935,443	( 378,860)	( 970,291)
Cash at Beginning of Year	<u>1,206,787</u>	<u>1,585,647</u>	<u>2,555,938</u>
Cash at End of Year	<u>\$3,142,230</u>	<u>\$1,206,787</u>	<u>\$1,585,647</u>
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	\$ 31,466	\$ 31,529	\$ 38,239
Income taxes	3,382,450	3,322,700	1,310,593
Supplemental Disclosure of Non-Cash Information:			
Dividends declared and accrued	\$ 483,426	\$ 379,117	\$ -
Retirement of \$189,052 shares of treasury stock at a cost of \$209,035			

See Notes to Consolidated Financial Statements.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CCA Industries, Inc. ("CCA") was incorporated in the State of Delaware on March 25, 1983.

CCA manufactures and distributes health and beauty aid products.

CCA has several wholly-owned subsidiaries, CCA Cosmetics, Inc., CCA Labs, Inc., Berdell, Inc., Nutra Care Corporation, and CCA Online Industries, Inc., all of which are currently inactive.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of CCA and its wholly-owned subsidiaries (collectively the "Company"). All significant inter-company accounts and transactions have been eliminated.

Use of Estimates:

The consolidated financial statements include the use of estimates, which management believes are reasonable. The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Other Comprehensive Income:

Total comprehensive income includes changes in equity that are excluded from the consolidated statements of operations and are recorded directly into a separate section of consolidated statements of comprehensive income. The Company's accumulated other comprehensive income shown on the consolidated balance sheet consist of unrealized gains and losses on investment holdings.

Short-Term Investments and Marketable Securities:

Short-term investments and marketable securities consist of corporate and government bonds and equity securities. The Company has classified its investments as Available-for-Sale securities. Accordingly, such investments are reported at fair market value, with the resultant unrealized gains and losses reported as a separate component of shareholders' equity.

Statements of Cash Flows Disclosure:

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with an original maturity of less than three months to be cash equivalents.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Cash Flows Disclosure (Continued):

During fiscal 2002, two officers/shareholders exercised in the aggregate 200,000 options (204,000 as adjusted for the 2% stock dividend) in exchange for 50,000 shares (51,000 as adjusted for the 2% stock dividend) of previously issued common stock.

During fiscal 2003, three officers/shareholders exercised in the aggregate 157,000 options (160,140 as adjusted for the 2% stock dividend) in exchange for 19,854 shares (20,251 as adjusted for the 2% stock dividend) of previously issued common stock.

During fiscal 2004, five officers/shareholders exercised in the aggregate 138,000 options (140,760 as adjusted for the 2% stock dividend) in exchange for 8,758 shares (8,933 as adjusted for the 2% stock dividend) of previously issued common stock.

For the year ended November 30, 2004, dividends declared but not yet due amounted to \$483,426.

Inventories:

Inventories are stated at the lower of cost (first-in, first-out) or market.

Product returns are recorded in inventory when they are received at the lower of their original cost or market, as appropriate. Obsolete inventory is written off and its value is removed from inventory at the time its obsolescence is determined.

Property and Equipment and Depreciation and Amortization

Property and equipment are stated at cost. The Company charges to expense repairs and maintenance items, while major improvements and betterments are capitalized. When the Company sells or otherwise disposes of property and equipment items, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in earnings.

Depreciation and amortization are provided on the straight-line method over the following estimated useful lives or lease terms of the assets:

Machinery and equipment	5-7 Years
Furniture and fixtures	3-10 Years
Tools, dies and masters	3 Years
Transportation equipment	5 Years
Leasehold improvements	Remaining life of the lease (ranging from 1-9 years)

Intangible Assets:

Intangible assets are stated at cost and consist primarily of trademarks which are amortized on the straight-line method over a period of 15-17 years.

Financial Instruments:

The carrying value of assets and liabilities considered financial instruments approximate their respective fair value.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes:

Income tax expense includes federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes.

Tax Credits:

Tax credits, when present, are accounted for using the flow-through method as a reduction of income taxes in the years utilized.

Earnings Per Common Share:

The Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 128, “Earnings Per Share” in 1998. Basic earnings per share is calculated using the average number of shares of common stock outstanding during the year. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the “treasury stock method” and convertible debentures using the “if-converted” method. Common stock equivalents consist of stock options.

Revenue Recognition:

The Company recognizes sales upon shipment of merchandise. Net sales comprise gross revenues less expected returns, trade discounts, customer allowances and various sales incentives. Although no legal right of return exists between the customer and the Company, it is an industry-wide practice to accept returns from customers. The Company, therefore, records a reserve for returns equal to its gross profit on its historical percentage of returns on its last five months sales.

Reclassifications

In accordance with EITF 00-14, the Company has accounted for certain sales incentives offered to customers by charging them directly to sales as opposed to “advertising and promotional” expense. Had EITF 00-14 not been adopted, net sales for the years ended November 2004, 2003 and 2002 would have been \$62,673,158, \$55,905,788 and \$46,850,507, respectively.



**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs:

The Company's policy for fiscal financial reporting is to charge advertising cost to operations as incurred.

Shipping Costs:

The Company's policy for fiscal financial reporting is to charge shipping cost to operations as incurred. For the years ended November 30, 2004, 2003 and 2002, included in selling, general and administrative expenses is shipping costs amounting to \$2,813,479, \$2,668,246 and \$2,120,645, respectively.

NOTE 3 - INVENTORIES

At November 30, 2004 and 2003, inventories consist of the following:

	<u>2004</u>	<u>2003</u>
Raw materials	\$3,764,473	\$3,746,522
Finished goods	<u>2,283,527</u>	<u>1,566,177</u>
	<u>\$6,048,000</u>	<u>\$5,312,699</u>

At November 30, 2004 and 2003, the Company had a reserve for obsolete inventory of \$871,488 and \$1,153,612, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

At November 30, 2004 and 2003, property and equipment consisted of the following:

	<u>2004</u>	<u>2003</u>
Machinery and equipment	\$ 115,104	\$ 105,478
Office furniture and equipment	708,184	676,494
Transportation equipment	10,918	10,918
Tools, dies, and masters	433,221	347,560
Leasehold improvements	<u>291,063</u>	<u>277,366</u>
	1,558,490	1,417,816
Less: Accumulated depreciation and amortization	<u>988,745</u>	<u>689,294</u>
Property and Equipment - Net	<u>\$ 569,745</u>	<u>\$ 728,522</u>

Depreciation and amortization expense for the years ended November 30, 2004, 2003 and 2002 amounted to \$299,451, \$313,663, and \$309,816, respectively.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 - INTANGIBLE ASSETS**

Intangible assets consist of the following at November 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Trademarks and patents	\$786,430	\$759,394
Less: Accumulated amortization	<u>275,401</u>	<u>227,201</u>
Intangible Assets - Net	<u>\$511,029</u>	<u>\$532,193</u>

Amortization expense for the years ended November 30, 2004, 2003 and 2002 amounted to \$48,200, \$48,067, and \$47,811, respectively. Estimated amortization expense for each of the ensuing years through November 30, 2009 is \$49,200, \$49,600, \$50,000, \$49,500 and \$50,100, respectively.

**NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES**

Short-term investments and marketable securities, which consist of stock and various corporate and government obligations, are stated at market value. The Company has classified its investments as Available-for-Sale securities and considers as current assets those investments which will mature or are likely to be sold in the next fiscal year. The remaining investments are considered non-current assets. The cost and market values of the investments at November 30, 2004 and November 30, 2003 were as follows:

	November 30, 2004		November 30, 2003	
Current:	COST	MARKET	COST	MARKET
Corporate obligations	\$ 1,475,000	\$ 1,470,690	\$ 850,860	\$ 854,466
Government obligations (including mortgage backed securities)	296,814	297,045	1,260,340	1,248,731
Common stock	51,649	52,656	304,379	295,538
Mutual funds	188,247	132,347	179,320	118,963
Other equity	-	-	<u>111,750</u>	<u>114,750</u>
Total	<u>2,011,710</u>	<u>1,952,738</u>	<u>2,706,649</u>	<u>2,632,448</u>
Non-Current:				
Corporate obligations	5,546,097	5,446,625	5,374,706	5,342,893
Government obligations	2,751,228	2,689,721	4,208,237	4,182,482
Preferred stock	624,845	615,852	1,329,495	1,366,036
Other equity investments	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>9,022,170</u>	<u>8,852,198</u>	<u>11,012,438</u>	<u>10,991,441</u>
Total	<u>\$11,033,880</u>	<u>\$10,804,936</u>	<u>\$13,719,087</u>	<u>\$13,623,859</u>

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)**

The market value at November 30, 2004 was \$10,804,936 as compared to \$13,623,859 at November 30, 2003. The gross unrealized gains and losses were \$4,227 and (\$233,171) for November 30, 2004 and \$89,761 and (\$184,989) for November 30, 2003. The cost and market values of the investments at November 30, 2004 were as follows:

COL. A	COL. B	COL. C	COL. D	COL. E
Name of Issuer and Title of Each Issue	Number of Units-Principal Amount of Bonds and Notes	Cost of Each Issue	Market Value of Each Issue at Balance Sheet Date	Amount at Which Each Portfolio Of Equity Security Other Security Issue Carried in Balance Sheet
		\$		\$
	Interest Rate			
	Maturity Date			
<b>CORPORATE OBLIGATIONS:</b>				
American General Fin Corp	2.050%	200,000	198,894	\$ 198,894
American General Fin Corp	2.500%	100,000	98,206	98,206
Banc One Corp Global Notes	2.625%	125,000	119,576	119,576
Bank of America Corp	3.250%	200,000	195,872	195,872
Bear Stearns	2.650%	100,000	97,894	97,894
Caterpillar Finl Svcs Corp	2.350%	100,000	98,246	98,246
CIT Group Inc.	2.250%	100,000	99,156	99,156
CIT Group Inc.	3.200%	100,000	100,098	100,098
CIT Group Inc.	2.000%	100,000	99,385	99,385
CIT Group Inc.	4.000%	200,000	200,160	200,160
CITGROUP Global Markets	2.350%	150,000	145,845	145,845
Ford Motor Credit	4.250%	100,000	100,615	100,615
GE Capital Corp Internotes	2.250%	300,000	293,292	293,292
GE Capital Corp Internotes	2.500%	200,000	195,598	195,598
GE Capital Corp Internotes	2.350%	250,000	242,928	242,928
GE Capital Corp Internotes	2.450%	250,000	247,473	247,473
GE Capital Corp Internotes	2.150%	200,000	195,946	195,946

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)**

COL. A	COL. B	COL. C	COL. D	COL. E
Name of Issuer and Title of Each Issue	Number of Units-Principal Amount of Bonds and Notes	Cost of Each Issue	Market Value of Each Issue at Balance Sheet Date	Amount at Which Each Portfolio Of Equity Security Other Security Issue Carried in Balance Sheet
Maturity Date	Interest Rate	\$	\$	\$
<b>CORPORATE OBLIGATIONS (Continued):</b>				
GE Capital Corp Internotes	150,000	150,000	147,387	147,387
GE Capital Corp Internotes	300,000	300,000	294,525	294,525
GE Capital Corp Internotes	400,000	400,000	392,808	392,808
General Dynamics	150,000	149,706	147,855	147,855
General Dynamics	100,000	99,739	98,570	98,570
Glaxosmithkline CAP PLC	200,000	198,894	195,136	195,136
GMAC	200,000	200,000	198,882	198,882
GMAC	250,000	250,000	246,760	246,760
GMAC	200,000	200,000	196,096	196,096
GMAC	200,000	200,000	194,396	194,396
GMAC Smartnotes	175,000	175,000	175,889	175,889
GMAC Smartnotes	200,000	200,000	199,946	199,946
GMAC Smartnotes	400,000	400,000	396,924	396,924
GMAC Smartnotes	400,000	400,000	398,440	398,440
Household Finance Corp	100,000	100,000	98,553	98,553
John Hancock Life Ins Co.	200,000	200,000	196,122	196,122
John Hancock Life Ins Co.	100,000	100,000	97,597	97,597
John Hancock Life Ins Co.	150,000	150,000	146,424	146,424
John Hancock Life Ins Co.	200,000	200,000	195,260	195,260
United Healthcare Notes	75,000	74,890	73,637	73,637
Wells Fargo & Co.	100,000	99,158	96,924	96,924
		7,021,097	6,917,315	6,917,315

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)**

COL. A	COL. B	COL. C	COL. D	COL. E
Name of Issuer and Title of Each Issue	Maturity Date	Interest Rate	Number of Units-Principal Amount of Bonds and Notes	Cost of Each Issue
				Market Value of Each Issue at Balance Sheet Date
				Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Issue Carried in Balance Sheet
<b>GOVERNMENT OBLIGATIONS:</b>				
Federal Home Loan Bank	07/28/06	2.189%	200,000	\$ 197,000
Federal Home Loan Bank	08/21/06	2.590%	200,000	198,188
Federal Home Loan Bank	07/24/08	2.125%	100,000	99,438
FHLB	06/19/06	2.260%	250,000	246,952
FHLMC	11/15/09	3.250%	250,000	248,630
FHLMC	11/15/17	4.500%	200,000	198,000
FNMA	05/15/06	2.250%	200,000	197,626
FNMA	09/24/07	3.000%	200,000	197,500
FNMA	12/10/07	3.000%	150,000	149,579
NJ State Turnpike Authority	01/01/30	1.050%	325,000	325,000
Tennessee Valley Authority	05/01/29	6.500%	18,000	444,060
Power Bonds				
Tobacco Settlement Fin Corp.	06/01/15	5.000%	200,000	187,748
US Treasury Bill	05/05/05	0.000%	300,000	297,045
				<u>3,048,042</u>
				<u>2,986,766</u>
<b>EQUITY:</b>				
Preferred Stock:				
ABN AMRO Cap Fund	07/03/08	5.900%	2,000	48,600
General Electric Cap Corp	11/15/32	6.100%	8,800	226,072
JP Morgan Chase Cap IX	06/15/33	5.875%	2,000	48,740
Morgan Stanley Cap Tr	07/15/33	5.750%	4,000	95,720
Wells Fargo Cap Tr VIII	08/01/33	5.625%	8,000	196,720
				<u>624,845</u>
				<u>615,852</u>

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)**

COL. A	COL. B	COL. C	COL. D	COL. E
<u>Name of Issuer and Title of Each Issue</u>	<u>Number of Units-Principal Amount of Bonds and Notes</u>	<u>Cost of Each Issue</u>	<u>Market Value of Each Issue at Balance Sheet Date</u>	<u>Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Issue Carried in Balance Sheet</u>
<u>Maturity Date</u>	<u>Interest Rate</u>			
EQUITY (Continued):				
Common Stock:				
DTE Energy Co.	1,200	51,649	52,656	52,656
Mutual Funds:				
Dreyfus Premier Limited Term High Income CL B	16,296.314	188,247	132,347	132,347
Other Equity Investments:				
Aberdeen Asia Pacific Income Fund	4	100,000	100,000	100,000
Totals		<u>\$11,033,880</u>	<u>\$10,804,936</u>	<u>\$10,804,936</u>

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (Continued)

During the years ended November 30, 2004, 2003 and 2002, available-for-sale securities were liquidated and proceeds amounting to \$6,926,858, \$6,485,792 and \$1,839,729 were received, with resultant realized gains/(losses) totaling (\$138,381), (\$9,518) and (\$2,131), respectively. Cost of available-for-sale securities includes unamortized premium or discount.

NOTE 7 - NOTES PAYABLE AND SUBORDINATED DEBENTURES

The Company has an available line of credit of \$10,000,000 which was increased from \$7,000,000 on May 27, 2004. Interest is calculated at the Company's option, either on the outstanding balance at the prime rate minus 1% or Libor plus 150 basis points at the Company's option. The line of credit is unsecured as of October 21, 2004 and must adhere to certain financial covenants pertaining to net worth and debt coverage. The Company was not utilizing their available credit line at November 30, 2004 and 2003. The Company has extended the line of credit through May 31, 2005.

On August 1, 2000, the Company repurchased (pursuant to a tender offer) 278,328 shares of its outstanding common stock by issuing subordinated debentures equal to \$2 per share, which accrue interest at 6% and are due to mature on August 1, 2005. The interest is payable semi-annually.

During the year 2001, the Company repurchased \$46,000 of debentures for \$23,000 resulting in a gain of \$23,000.

During the year 2002, the Company repurchased \$9,000 of debentures for \$6,750 resulting in a gain of \$2,250.

NOTE 8 - INCOME TAXES

CCA and its subsidiaries file a consolidated federal income tax return. No returns have been examined by the Internal Revenue Service.

At November 30, 2004 and 2003, respectively, the Company has temporary differences arising from the following:

<u>Type</u>	<u>Amount</u>	<u>November 30, 2004</u>		
		<u>Deferred Tax</u>	<u>Classified As</u>	
			<u>Short- Term Asset (Liability)</u>	<u>Long- Term</u>
Depreciation	(\$ 26,714)	(\$ 10,725)	\$ -	(\$10,725)
Reserve for bad debts	111,078	44,595	44,595	-
Reserve for returns	406,558	163,221	163,221	-
Reserve for obsolete inventory	871,488	349,877	349,877	-
Section 263A costs	123,239	49,477	49,477	-
Charitable contributions	109,023	43,768	43,768	-
Net deferred income tax		<u>\$640,213</u>	<u>\$650,938</u>	<u>(\$10,725)</u>

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 8 - INCOME TAXES (Continued)

November 30, 2003				
<u>Type</u>	<u>Amount</u>	<u>Deferred Tax</u>	<u>Classified As</u>	
			<u>Short- Term</u>	<u>Long- Term</u>
			<u>Asset (Liability)</u>	
Depreciation	(\$ 37,633)	(\$ 14,753)	\$ -	(\$14,753)
Reserve for bad debts	549,851	215,558	215,558	-
Reserve for returns	345,872	135,593	135,593	-
Reserve for obsolete inventory	1,153,612	452,251	452,251	-
Section 263A costs	122,469	48,012	48,012	-
Charitable contributions	186,080	72,949	72,949	-
Accrued litigation settlement	100,000	<u>39,203</u>	<u>39,203</u>	<u>-</u>
Net deferred income tax		<u>\$948,814</u>	<u>\$963,566</u>	<u>(\$14,753)</u>

Income tax expense (benefit) is made up of the following components:

November 30, 2004			
	<u>Federal</u>	<u>State &amp; Local</u>	<u>Total</u>
Current tax expense	\$2,494,109	\$768,251	\$3,262,360
Tax credits	( 40,000)	-	( 40,000)
Deferred tax expense	<u>282,855</u>	<u>72,401</u>	<u>355,256</u>
	<u>\$2,736,964</u>	<u>\$840,652</u>	<u>\$3,577,616</u>



**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 8 - INCOME TAXES (Continued)

	November 30, 2003		
	<u>Federal</u>	State & <u>Local</u>	<u>Total</u>
Current tax expense	\$2,265,262	\$690,924	\$2,956,186
Tax credits	( 44,988)	-	( 44,988)
Deferred tax expense	<u>257,604</u>	<u>75,965</u>	<u>333,569</u>
	<u>\$2,477,878</u>	<u>\$766,889</u>	<u>\$3,244,767</u>

	November 30, 2002		
	<u>Federal</u>	State & <u>Local</u>	<u>Total</u>
Current tax expense	\$1,116,198	\$507,307	\$1,623,505
Tax credits	( 37,428)	-	( 37,428)
Deferred tax expense	<u>341,365</u>	<u>33,761</u>	<u>375,126</u>
	<u>\$1,420,135</u>	<u>\$541,068</u>	<u>\$1,961,203</u>

Prepaid income taxes and refund due are made up of the following components:

	<u>Federal</u>	State & <u>Local</u>	<u>Total</u>
November 30, 2004	<u>\$315,670</u>	<u>\$102,981</u>	<u>\$418,651</u>
November 30, 2003	<u>\$59,779</u>	<u>\$176,841</u>	<u>\$236,620</u>

Income taxes payable are made up of the following components:

	<u>Federal</u>	State & <u>Local</u>	<u>Total</u>
November 30, 2004	<u>\$ -</u>	<u>\$59,888</u>	<u>\$59,888</u>
November 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 8 - INCOME TAXES (Continued)

A reconciliation of income tax expense (benefit) computed at the statutory rate to income tax expense at the effective rate for each of the three years ended November 30, 2004 is as follows:

	<u>2004</u>		<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>Percent Of Pretax Income</u>	<u>Amount</u>	<u>Percent of Pretax Income</u>	<u>Amount</u>	<u>Percent of Pretax Income</u>
Income tax expense (benefit) at federal statutory rate	\$3,187,255	34.00%	\$2,888,945	34.00%	\$1,712,089	34.00%
Increases (decreases) in taxes resulting from:						
State income taxes, net of federal income tax benefit	554,830	5.92	506,147	5.96	357,105	7.09
Non-deductible expenses and other adjustments	( 124,469)	( 1.32 )	( 105,337)	( 1.24 )	( 70,563)	( 1.40 )
Utilization of tax credits	( 40,000)	( .43 )	( 44,988)	( .53 )	( 37,428)	( 0.74 )
Income tax expense (benefit) at effective rate	<u>\$3,577,616</u>	<u>38.17%</u>	<u>\$3,244,767</u>	<u>38.19%</u>	<u>\$1,961,203</u>	<u>38.95%</u>

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - STOCK OPTIONS**

On November 15, 1984, the Company authorized the granting of incentive stock options as well as non-qualified options. The plan was amended in 1986 and again in 1994. On July 9, 2003, the Company approved a Stock Option Plan authorizing the issuance of options up to 1,000,000 shares. The following summarizes the stock options outstanding under these plans as of November 30, 2004:

<u>Date Granted</u>	<u>Number Of Shares</u>	<u>Per Share Option Price</u>	<u>Expiration</u>
June 16, 1999	10,000	2.50	2009
May 24, 2001	289,500	.50	2007
March 9, 2004	50,000	9.00	2009
March 9, 2004	50,000	8.25	2009
June 6, 2004	5,000	8.25	2009
August 24, 2004	<u>25,000</u>	7.50	2009
	<u>429,500</u>		

The following summarizes the activity of shares under option for the two years ended November 30, 2004:

	<u>Number Of Shares</u>	<u>Per Share Option Price</u>	<u>Value</u>
Balance - November 30, 2002	594,500	.50-2.50	\$ 317,250
Granted	-	-	-
Repriced	-	-	-
Exercised	( 157,000)	( .50)	( 78,500)
Expired	-	-	-
Cancelled	-	-	-
Balance - November 30, 2003	437,500		238,750
Granted	130,000	7.50-9.00	1,091,250
Repriced	-	-	-
Exercised	( 138,000)	( .50)	( 69,000)
Expired	-	-	-
Cancelled	-	-	-
Balance - November 30, 2004	<u>429,500</u>		<u>\$ 1,261,000</u>

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - STOCK OPTIONS (Continued)**

The Company accounts for its stock-based employee compensation under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Under APB No. 25, when the exercise price of stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized in the consolidated statement of operations.

During the year 2004, the Company issued stock options to purchase 130,000 shares under the 2003 stock option plan. Under the provisions of APB No. 25, no compensation expense has been, or will be, recognized in the consolidated statement of operations.

Proforma net income and net income per share, as required by SFAS No. 123, have been determined as if we had accounted for all employee stock options granted under SFAS No. 123's fair value method. The proforma effect of recognizing compensation expense in accordance with SFAS No. 123 is as follows:

	Year Ended November 30,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net income as reported	\$5,796,663	\$5,252,131	\$3,074,353
SFAS No. 123 based compensation	( 976,619)	-	-
Income tax benefit	<u>390,648</u>	<u>-</u>	<u>-</u>
Net income - proforma	<u>\$5,210,692</u>	<u>\$5,252,131</u>	<u>\$3,074,353</u>
Basic net income per share - as reported	\$.78	\$.71	\$.42
Basic net income per share - proforma	\$.76	\$.71	\$.42
Diluted net income per share - as reported	\$.75	\$.68	\$.40
Diluted net income per share - proforma	\$.73	\$.68	\$.40
Weighted average shares used in computing net income and proforma net income per share:			
Basic	7,399,472	7,372,232	7,241,754
Diluted	7,680,781	7,768,361	7,731,583

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - STOCK OPTIONS**

The Company used the Black-Scholes model to value stock options for pro forma presentation. The assumptions used to estimate the value of the options included in the pro forma amounts and the weighted average estimated fair value of options granted are as follows:

	Stock Option Plan Shares		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Average expected life (years)	7.00	3.75	5.10
Expected volatility	237.35%	185.67%	210.19%
Risk-free interest rate	3.95%	3.00%	2.88%
Weighted average fair value at grant - Exercise price equal to market price	\$8.22	\$7.01	\$1.73

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions, including the expected stock price volatility and option life. Because the Company's stock options granted to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of its stock options granted to employees. For purposes of this model, no dividends have been assumed.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 - ACCRUED EXPENSES AND OTHER ACCOUNTS PAYABLE

The following items which exceeded 5% of total current liabilities are included in accounts payable and accrued liabilities as of:

	November 30,	
	<u>2004</u>	<u>2003</u>
	(In Thousands)	
Coop advertising	\$ 932	\$ 607
Accrued returns	980	787
Accrued bonuses	<u>470</u>	<u>499</u>
	<u>\$2,382</u>	<u>\$1,893</u>

All other liabilities were for trade payables or individually did not exceed 5% of total current liabilities.

NOTE 11 - OTHER INCOME

Other income was comprised of the following:

	November 30,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Interest income	\$442,936	\$461,291	\$383,569
Dividend income	44,756	17,693	11,780
Realized gain on repurchase of debentures	-	-	2,250
Realized gain (loss) on sale of securities	143,736	9,518	( 2,131)
Royalty income	138,313	97,271	41,820
Sale of trademark	50,000	-	-
Miscellaneous	<u>30,455</u>	<u>5,498</u>	<u>2,193</u>
	<u>\$850,196</u>	<u>\$591,271</u>	<u>\$439,481</u>

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Leases

The Company currently occupies approximately 60,600 square feet of space used for warehousing and offices. The annual rental is \$327,684, with an annual CPI increase of 3%, but not to exceed 15% cumulative five year increase. The lease requires the Company to pay for additional expenses "Expense Rent" (Common Area Maintenance "CAM"), which includes real estate taxes, common area expense, utility expense, repair and maintenance expense and insurance expense. The lease expires on May 31, 2012 with a renewal option for an additional five years.

Rent expense for the years ended November 30, 2004, 2003 and 2002 was \$449,376, \$322,684 and \$433,983, respectively.

In addition, the Company has entered into various property and equipment operating leases with expiration dates ranging through November 2006.

Future commitments under noncancellable operating lease agreements having a remaining term in excess of one year for each of the next five (5) years and in the aggregate are as follows:

Year Ending  
November 30,

2005	\$392,208
2006	360,432
2007	343,872
2008	327,684
2009	327,684
2010 and thereafter	983,052

Royalty Agreements

In 1986, the Company entered into a license agreement with Alleghany Pharmacal Corporation (the "Alleghany Pharmacal License"). This license required the Company to pay 6% royalty on net sales but no less than \$360,000 per annum to maintain its license. The Company has expanded the lines licensed from Alleghany and pays only 1% royalty on various new products created by the Company.

The Alleghany Pharmacal License agreement provided that when, in the aggregate, \$9,000,000 in royalties have been paid thereunder, the royalty rate for those products originally "charged" at 6% will be reduced to 1%. The Company paid an aggregate of \$9,000,000 in royalties to Alleghany in April 2003. Commencing May 1, 2004, the license royalty was reduced to 1%.

The products subject to the Alleghany Pharmacal License accounted for \$10,903,458 or 18% of total net sales in the fiscal year ended November 30, 2004.

## CCA INDUSTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

In May of 1998, the Company entered into a License Agreement with Solar Sense, Inc. for the marketing of sun care products under trademark names. The Company's License Agreement with Solar Sense, Inc. is for the exclusive use of the trademark names "Solar Sense" and "Kids Sense", in connection with the commercial exploitation of sun care products. The Company is required to pay a royalty on net sales of the licensed products; with minimum per-annum royalties of \$30,000. The Company realized \$1,851,911 in net sales of sun-care products in 2004.

In October of 1999, the Company entered into a License Agreement with The Nail Consultants, Ltd. for the use of an activator invented in connection with a method for applying a protective covering to fingernails. The Company's License Agreement with The Nail Consultants, Ltd. is for the exclusive use of the method and its composition in a new product kit packaged and marketed by CCA under its own name, "Nutra Nail Power Gel". The Company will pay a royalty of net sales of all licensed product sold by the Company. Net sales were \$1,732,213 in 2004.

In October 2002, the Company entered into a License Agreement with Hugger Corporation for use of its patented oral hygiene system to be used in conjunction with regular toothpaste. The Company's License Agreement is for the use of the product designated and referred to in the patent owned by Hugger Corporation. The Company designed, marketed and distributed the patented product called "Booster" under its Plus+White brand.

The Company is required to pay a royalty of net sales payable quarterly. During the first 18-month contract period ending June 30, 2004, the minimum royalty the Company is required to pay is \$100,000 to maintain its exclusive rights under the License Agreement. Thereafter, the Company is required to pay a minimum royalty of \$50,000 annually. The royalty will continue until the Patent expires or an aggregate of \$3,500,000 is paid to Licensor. Until that time, Licensee has no liability to meet minimum royalty requirements except to maintain its rights under the License Agreement. In fiscal 2004, the net sales were \$1,394,281.

On May 18, 2004, the Company entered into a license agreement with Tea-Guard, Inc. to manufacture and distribute Mega-T Green Tea chewing gum and Mega-T Green Tea mints.

The license agreement requires the Company to pay a minimum royalty in order to maintain its exclusivity for the sale of the products and to continue marketing the products so long as the minimum requirements are met and until royalties have aggregated to \$10,000,000.

The Company commenced sales of the Mega-T Green Tea Chewing Gum in July 2004. From July to the November 30, 2004 year-end, the Company realized \$1,148,913 of net sales for the gum.



## CCA INDUSTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

On March 10, 2004, the Company entered into an agreement with Dr. Stephen Hsu, PhD. to create green tea skin care products.

Dr. Hsu will be entitled to a commission on the net factory sales of all of the Company's products using the green tea serum created exclusively for the Company. The special anti-oxidant green tea serum will be included in the new Denise Austin "Skin Fit For Life" skin care line.

On July 14, 2004, the Company entered into a license agreement with Denise Austin. The license agreement requires the Company to pay a minimum royalty in order to maintain the exclusive use of the name, "Denise Austin" to manufacture and sell a special line of skin care and cosmetic products. The license will continue so long as minimum royalty payments are met. The initial sales of the skin care anti-oxidant skus are targeted for the first week in February 2005.

The Company is not party to any other license agreement that is currently material to its operations.

#### Employment Contracts

The Company has executed Employment Contracts with its Chief Executive Officer and its Chairman of the Board. The contracts for both are exactly the same. The contracts expire on December 31, 2010. The contracts provide for a base salary which commenced in 1994 in the amount of \$300,000, with a year-to-year CPI or 6% plus 2.5% of the Company's pre-tax income less depreciation and amortization (EBITDA), plus 20% of the base salary for the fiscal year. The "2.5% measure" in the bonus provision of the two contracts was amended so as to calculate it against earnings before income taxes, less depreciation, amortization and expenditures for media and cooperative advertising in excess of \$8,000,000. On May 24, 2001, the contract was amended increasing the base salary to \$400,000.

Two officers of the Company who are the two sons of the Chief Executive Officers of the Company have five year contracts in the amounts of \$270,000 and \$200,000 which expire on November 30, 2007. In July 2003 and January 2004, such officers' salaries were increased to \$300,000 and \$225,000, respectively.

## CCA INDUSTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

##### Collective Bargaining Agreement

On December 1, 1998, the Company signed a collective bargaining agreement with Local 734, L.I.U. of N.A., AFL-CIO. Other than standard wage, holiday, vacation and sick day provisions, the agreement calls for CCA to provide certain medical and dental benefits and to contribute to the Local 734 Educational Fund \$.01 per hour for each hour the employees are paid. The agreement expired on November 30, 2004. A new collective bargaining agreement with similar provisions is in effect for December 1, 2004 through January 1, 2008. This agreement pertains to 29% of the CCA labor force.

##### Litigation

The Company has been named as a defendant in 13 lawsuits alleging that the plaintiffs were injured as a result of their purchasing and ingesting our diet suppressant containing phenylpropanolamine (PPA), which the Company utilized as its active ingredient in its products prior to November 2000. The lawsuits brought against the Company are for unspecified amount of compensatory and exemplary damages. Eleven of the suits have been dismissed with prejudice with two remaining. One suit is in the process of being dismissed. The other suit is insured and is being defended by the Company's insurance carrier.

##### Dividends

CCA declared a dividend of \$0.14 per share payable to all holders of the Company's common stock, \$0.07 to shareholders of record on May 1, 2004 payable on June 1, 2004 and \$0.07 to shareholders of record on November 1, 2004, payable on November 30, 2004.

On June 16, 2004, CCA declared a 2% stock dividend payable to all shareholders of record on November 1, 2004, payable December 1, 2004. All references in the accompanying financial statements to the number of common shares and per-share amounts for 2004, 2003 and 2002 have been restated to reflect the stock dividend.

On January 11, 2005, the Board of Directors declared a \$0.16 per share dividend for fiscal 2005, \$0.08 payable to all shareholders of record May 1, 2005 payable on June 1, 2005 and \$0.08 payable to all shareholders of record November 1, 2005 payable on December 1, 2005.

#### NOTE 13 - PENSION PLANS

The Company has adopted a 401(K) Profit Sharing Plan that covers all employees with over one year of service and attained Age 21. Employees may make salary reduction contributions up to twenty-five percent of compensation not to exceed the federal government limits.

## CCA INDUSTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 14 - CONCENTRATION OF RISK

All of the Company's products are sold to major drug and food chains merchandisers, and wholesale beauty-aids distributors throughout the United States and Canada.

During the years ended November 30, 2004, 2003 and 2002, certain customers each accounted for more than 5% of the Company's net sales, as follows:

<u>Customer</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
A	34%	34%	31%
B	11	13	13
C	9	8	7
D	7	7	7
E	7	6	5
F	7	*	*
Foreign Sales	1.80%	2.10%	2.40%

\* under 5%

The loss of any one of these customers could have a material adverse affect on the Company's earnings and financial position.

During the years November 30, 2004, 2003 and 2002, certain products within the Company's product lines accounted for more than 10% of the Company's net sales as follows:

<u>Product</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Health and Beauty	62%	67%	75%
Cosmetic and Fragrance	12	19	19
Over-The-Counter	26	14	-

The Company maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. In addition, the Company maintains accounts with several brokerage firms. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC). Each brokerage firm has substantial insurance beyond the \$500,000 SIPC limit.

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 15 - EARNINGS PER SHARE

Basic earnings per share is calculated using the average number of common shares outstanding. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the "treasury stock method".

	Year Ended November 30,		
	<u>2004*</u>	<u>2003*</u>	<u>2002*</u>
Net income available for common shareholders, basic and diluted	<u>\$5,796,663</u>	<u>\$5,252,131</u>	<u>\$3,074,353</u>
Weighted average common stock outstanding- Basic	7,399,472	7,372,232	7,241,754
Net effect of dilutive stock options	<u>281,309</u>	<u>396,129</u>	<u>480,224</u>
Weighted average common stock and common stock equivalents - Diluted	<u>7,680,781</u>	<u>7,768,361</u>	<u>7,731,583</u>
Basic earnings per share	<u>\$ .78</u>	<u>\$ .71</u>	<u>\$ .42</u>
Diluted earnings per share	<u>\$ .75</u>	<u>\$ .68</u>	<u>\$ .40</u>

\* Adjusted for 2% stock dividend

SCHEDULE II

**CCA INDUSTRIES, INC. AND SUBSIDIARIES**

**VALUATION ACCOUNTS**

**YEARS ENDED NOVEMBER 30, 2004, 2003 AND 2002**

COL. A	COL. B	COL. C	COL. D	COL. E
<u>Description</u>	<u>Balance at Beginning Of Year</u>	<u>Additions Charged To Costs and Expenses</u>	<u>Deductions</u>	<u>Balance At End Of Year</u>
Year Ended November 30, 2004:				
Allowance for doubtful accounts	<u>\$ 549,851</u>	<u>(\$ 472,566)</u>	<u>\$ 33,793</u>	<u>\$ 111,078</u>
Reserve for returns and allowances	<u>\$ 345,872</u>	<u>\$4,282,250</u>	<u>\$4,221,566</u>	<u>\$ 406,556</u>
Reserve for inventory obsolescence	<u>\$1,153,612</u>	<u>\$ 88,591</u>	<u>\$ 360,469</u>	<u>\$ 881,734</u>
Year ended November 30, 2003:				
Allowance for doubtful accounts	<u>\$ 695,824</u>	<u>\$ 188,347</u>	<u>\$ 334,320</u>	<u>\$ 549,851</u>
Reserve for returns and allowances	<u>\$ 526,584</u>	<u>\$3,444,804</u>	<u>\$3,625,516</u>	<u>\$ 345,872</u>
Reserve for inventory obsolescence	<u>\$ 976,788</u>	<u>\$ 408,993</u>	<u>\$ 232,169</u>	<u>\$1,153,612</u>
Year Ended November 30, 2002:				
Allowance for doubtful accounts	<u>\$ 481,399</u>	<u>\$ 283,954</u>	<u>\$ 69,529</u>	<u>\$ 695,824</u>
Reserve for returns and allowances	<u>\$ 813,686</u>	<u>\$4,094,332</u>	<u>\$4,381,434</u>	<u>\$ 526,584</u>
Reserve of inventory obsolescence	<u>\$1,052,716</u>	<u>\$ 397,643</u>	<u>\$ 473,571</u>	<u>\$ 976,788</u>

## Exhibit 14

### CCA INDUSTRIES, INC. CODE OF ETHICS FOR CHIEF EXECUTIVE OFFICER AND SENIOR FINANCIAL OFFICERS

CCA Industries, Inc. (the "Company") has its Business Guideposts, which is a code of business conduct applicable to all directors and employees of the Company. The Business Guideposts contains a number of specific provisions relating to compliance with legal requirements, conflicts of interest, maintenance of accurate records and reporting financial information accurately and timely. The Company has also adopted this Code of Ethics specifically for its chief executive officer ("CEO") and all financial officers and executives (collectively, the "Financial Officers and Executives"), including the chief financial officer and controllers. This Code of Ethics supplements the Business Guideposts and is intended to promote ethical conduct and compliance with law and to deter wrongdoing and conflicts of interest. The Financial Officers and Executives subject to this Code of Ethics will be designated and informed of such designation by the Company.

In addition to the Business Guideposts, the CEO and the Financial Officers and Executives are subject to the following additional specific policies:

1. In carrying out their duties, the CEO and Financial Officers and Executives will promote full, fair, accurate, timely and understandable disclosure in all reports and other documents the Company files with, or furnishes or submits to the Securities and Exchange Commission, as well as other public communications made by the Company. Accordingly, the CEO and each Financial Officer and Executive shall promptly bring to the attention of the Audit Committee established by the Company, The CEO and/or General Counsel any material information of which he or she may become aware that affects the disclosures made by the Company in its public filings, if such information is not already being adequately addressed in public filings being prepared for the Company.
2. The CEO and each Financial Officer and Executive shall promptly bring to the attention of the Audit Committee any information he or she may have concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.
3. In carrying out their duties, the CEO and each Financial Officer and Executive shall endeavor to comply and cause the Company to comply with all applicable governmental laws, rules and regulations.
4. The CEO shall promptly bring to the attention of the General Counsel or the Chairman of the Audit Committee and each Financial Officer and Executive shall promptly bring to the attention of the General Counsel or the CEO, any information he or she may have concerning any (a) unethical behavior or dishonest or illegal acts in violation of the Company's Business Guideposts involving any management or other employee who has a significant role in the Company's financial reporting, disclosures or internal controls or (b) violation of this Code of Ethics, including any actual or apparent conflicts of interest between personal and professional relationships. If any of the matters described in the preceding sentence involves the CEO, the Financial Officer or Executive shall promptly bring the matter to the attention of the General Counsel and the Chairman of the Audit Committee.

5. The CEO shall promptly bring to the attention of the General Counsel or the Chairman of the Audit Committee and each Financial Officer and Executive shall promptly bring to the attention of the General Counsel or the CEO, any evidence he or she may have concerning any (a) material violation of the securities or other laws, rules and regulations applicable to the Company and the operation of its business, by the Company or any agent thereof or (b) material violation by the CEO or any Financial Officer or Executive of the Business Guideposts or this Code of Ethics. If any violation described in the preceding sentence involves the CEO, the Financial Officer or Executive shall bring the matter to the attention of the General Counsel and the Chairman of the Audit Committee. If the CEO or any Financial Officer or Executive reports such evidence in accordance with this paragraph and believes or has reason to believe the matter reported is not being or has not been adequately addressed by the Company, he or she shall report such matter to the Chairman of the Audit Committee.
6. The Board of Directors shall determine or designate appropriate persons to determine appropriate actions to be taken in the event of violations of the Business Guideposts or of this Code of Ethics by the CEO or any Financial Officer or Executive. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Business Guidepost and to this Code of Ethics. The Company shall at least annually report violations and the actions taken by the Company to the Audit Committee.

CERTIFICATION

I, David Edell, Chief Executive Officer of the Registrant, certify that:

1. I have reviewed this annual report on Form 10-K of CCA Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relation to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 17, 2005

/s/

-----  
David Edell  
Chief Executive Officer



CERTIFICATION

I, John Bingman, Chief Financial Officer of the Registrant, certify that:

1. I have reviewed this annual report on Form 10-K of CCA Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relation to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 17, 2005

/s/-----  
John Bingman  
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CCA Industries, Inc. (the "Registrant") on Form 10-K for the annual period ended November 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Edell, Chief Executive Officer of the Registrant, certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report, to which this certification is attached, fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: February 17, 2005

/s/ -----  
David Edell  
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CCA Industries, Inc. (the "Registrant") on Form 10-K for the annual period ended November 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Bingman, Chief Financial Officer of the Registrant, certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report, to which this certification is attached, fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: February 17, 2005

/s/ -----  
John Bingman  
Chief Financial Officer